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Volume XLV No. 4

APRIL, 1956

The Management Review

A Partial List of Contents

Trends and Perspectives

Management Policy and Practice

Operating Guides for Executives

What Others Are Doing

For the Specialist

The Boom Gets Ready to Roll Again

BUSINESS EXPERTS walked softly into 1956. By the end of last year, we had clearly reached an economic plateau—a fact that implied a danger of falling-off in '56. There were two questions: (1) How painful would the readjustment be after 1955's boom? (2) After that, would the economy resume the vigorous growth that has powered one boom after another in the postwar period?

Now we have the answer to the first question. We've been going through a "straight-line recession"—something that is really no recession at all but a leveling-off close to the 1955 peaks. And the answer to the second question, too, is taking shape: It begins to look as though business is about to take off again with a swoosh.

The boom in industry's spending for new plant and equipment, which began a year ago, is gathering new steam. A new survey of investment intentions—released jointly by the Securities & Exchange Commission and the Commerce Department in Washington—shows that spending will run well above 1955's all-time high of $28.7 billion. For 1956 as a whole, the survey discloses plans to lay out almost $35 billion for expansion. If it is borne out — and such surveys have proved quite reliable—that will be a 22 per cent gain.

Equally impressive is the way all classes of industry share in the planned increase. Durable goods and railroads are in the van, with plans to spend 41 per cent and 42 per cent more than last year. Even the laggards—transportation industries other than railroads, and the catch-all category of "commercial and other"—foresee rises of 11 per cent and 12 per cent.

What's more, it looks as though the forecasters have been underestimating the role that the consumer will play this year in building a fire under the economy. The Federal Reserve Board annual survey of consumer finances and attitudes, just released, indicates that the consumer will give business a powerful shove this year.

Preliminary data for this year's survey, collected by the University of Michigan's Survey Research Center, indicate that consumers are planning to buy the big items—houses, cars, furniture, and appliances—at about the same level as they did at the beginning of record-smashing 1955.

In general, here is what the 2,800 spending units sampled early this year signaled:

People's attitudes toward general business conditions, their own expectations, and their present financial condition are clearly optimistic. The most marked change from last year lies in the attitude of the pessimists. Fewer people this time said that they were worse off financially than a year ago. Broadly speaking, people feel at least as optimistic as they did a year ago; the changes appear to be on the up side.

More people said this year that

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they expect good times in the next 12 months than thought so last year at the same time. Fewer think that bad times are in the offing.

Consumers plan to buy about the same number of cars, houses, furniture, and appliances this year as they did a year ago.

About the same number plan to put money into improving their homes this year — but they plan to spend more per job. The median expenditure planned last year was $340; this year it is $380.

One of the bright spots in the latest survey is the fact that consumers in most occupational groups and income brackets share the generally cheerful view. Another pleasant note in the survey is the number of consumers planning house purchases, which runs about the same as it did in last year's survey. This flies in the face of almost all earlier predictions about the size of the housing market in 1956.

Over-all, confidence in America's political and economic future never looked stronger. And the proof is not just in what people are saying, but what they are doing—pouring billions of dollars into capital expansion, into research and development, into building highways and schools and hospitals and office buildings, into strengthening the national defenses, into raising standards of housing and over-all consumption.

In a word, America is still betting on growth.

—*Business Week*, March 17, 1956, p. 27:8.

Management in Search of Men

THERE HAS BEEN a great deal of talk lately in universities and secondary schools about the vast engineering opportunities in industry, about embryonic engineers just out of school who, clutching their brand-new degrees, are collecting $7,000 or more a year for their services. Big city Sunday papers are filled with advertisements for a variety of technical talents.

Does this mean that young men with a liberal arts education find very little opportunity in modern industry? The answer is, I think, emphatically no. As a matter of fact, the basic question seems to me to be: How many parts specialization to how many parts generalization?

We surely have to have the technical men; but large enterprises are social organisms, aggregations of people, societies which must have their ethics, their values, and a sense of perspective as well as technology. They very much need a leadership with depth and breadth in understanding, for the ends of science and technology are human ends—and so are many of their means.

Industry's sense of need for the broadly educated mind is reflected, I think, in an experiment being conducted by one company, which has hired a liberal arts student with the express intention of turning him into an electrical engineer. The company hopes that he will absorb enough information by

osmosis from the other engineers and by extra reading to become a competent engineer himself. If the experiment succeeds, the firm will have found not only a way of acquiring technologists but a way of acquiring technologists with uncommonly broad backgrounds.

Our corporate industrial units require such wisdom quite as much as they do their technology and science. Without it they run the risk of putting the job before the man, the product ahead of the consumer. This kind of distortion could lead to one of the worst of industrial inefficiencies—the failure properly to relate the work of a business organization to the framework of the society it exists to serve.

In Standard Oil Co. (New Jersey) we estimate, conservatively, that our full time directors give more than half of their working hours to problems of a human relations rather than a technical or economic nature. A typical problem that confronted us recently was whether to discontinue operations of a certain refinery. From a strictly economic point of view it seemed desirable to close the plant. But there were many social problems to be considered, including the possible repercussions of such an action within the surrounding community. It was finally decided that these human factors outweighed all the others; consequently, the refinery was kept open.

It is plain, however, that the real measure of the importance attached to the man with a liberal arts education is not so much in what people in industry say or think about it as in what they do about it. So, we may ask, how is the liberal arts graduate faring in big business? Do the non-technically trained people have a chance to rise to top positions? Also, has their college training been a major factor in any success they may have had?

Here is some evidence on this point from the experience of Standard Oil Co. (New Jersey). We were a little surprised by what we found not long ago when we made a spot check on this question.

Most of us, in guessing how many non-technical college graduates there were among our employees, chose a figure of 10 to 15 per cent. Considering the fact that the oil business is highly technical in nature, this seemed a very reasonable supposition. However, a survey we made in the parent company and its affiliates in the Western Hemisphere showed that as of the end of 1953 we had 3,436 employees with non-technical degrees out of a total of 10,383 college graduates, or 33 per cent.

We found, moreover, that during 1953 our company and its affiliates hired 990 college graduates. Of the 990 newcomers, exactly one-third held non-technical degrees.

It didn't surprise us that the field of business administration accounted for almost a third of the liberal arts graduates. It might seem somewhat more remarkable that the field of education accounted for 15 per cent and economics and foreign trade for 12 per cent, while 5 per cent had majored in English literature.

This survey was by no means exhaustive. For instance, it did not show how many of each sex were employed; a number of these new graduates were probably young women with B.A. degrees who were hired

to fill stenographic positions. Furthermore, the 15 per cent coming from schools of education undoubtedly were mainly teachers engaged by Latin American affiliates to teach in company-operated schools. But the fact remains that we have been drawing far more non-technical people into the organization over the years than many of our executives had surmised.

If I were a professor of the humanities concerned with the role of my subject in this modern world, I would be greatly heartened by the apparent change in attitude among business organizations today. More and more, they are developing a keen interest in the fields of the social sciences, economics, psychology, and the other humanities. The evidence suggests that, in the course of its natural evolution, business is really offering more opportunities for liberal arts graduates than ever before.

—DAVID A. SHEPARD (Director, Standard Oil Co. [N.J.]).
The Atlantic Monthly, March, 1956, p. 64:3. Reprints of Mr. Shepard's article are available gratis from the Publisher, *The Atlantic Monthly*, 8 Arlington Street, Boston 16, Mass.

Labor Takes a Look at Loafing

IN DEPRESSION and WPA days it was called boondoggling. In the armed services it's goldbricking or goofing off. In certain circumstances, it's featherbedding. In plain English, it's loafing on the job. Even in this period of record productivity, it's a problem for many conscientious workers and bosses. But in some circles mention of it is taboo because of the peculiar notion that such comment is a reflection on all labor.

Andrew Harvey, president of an AFL-CIO electrical workers' local, has been wondering what to do to increase productivity in the construction industry. "Some projects," he observes, "are more like a convalescent home than a construction job."

What to do about it? Harvey has arranged, through the University of Kansas, to have members of his local attend a course to study loafing—to study the ill effects, that is. Fifty union members, three times as many as expected, have joined, and future courses are contemplated. This is part of the union's education program to impress on its members the need for increasing productivity.

—*The Cleveland Plain Dealer*

A WOMAN'S WORLD? There were more women with jobs in 1955 than at any time in our history, according to Secretary of Labor James P. Mitchell. Women comprised nearly one-third of the total workforce, averaging 20 million workers during the first 11 months of 1955. And they have increased in number in practically all major occupation groups. Remarkable among the increases was the addition of 275,000 women to the clerical and allied work force; of 185,000 to professional, technical, and related workers; and of 172,000 to the operatives, mostly in factories.

—*Personnel and Guidance Journal* 2/56

Tomorrow's Peaceful Atomic Revolution

THE UNITED STATES — and perhaps the rest of the world—is at the brink of a startling revolution in electric power, agriculture, and industrial production. This is the conclusion to be drawn from the first official survey of the peaceful uses of atomic energy recently released by the Joint Congressional Committee on Atomic Energy. However, the report, drawn up by a top-level nine man citizens' committee appointed by the Joint Committee, is hedged with plenty of if's.

The report punctured such dreams as the atomic automobile (it would weigh 100,000 lbs.), the atomic airliner (shielding passengers would add too much weight), and the atomic locomotive (no better than a diesel). But in other fields of industrial application, the atom's prospects seem almost limitless. Almost every major tobacco company already uses a radioisotope gauge to check cigarette quality, and some 350 companies use radioisotopes to check flaws in welded joints and metal castings. By investing $1 million yearly in radioisotopes, U.S. industry is saving $100 million in production costs annually. By 1980, atomic radiation may also provide 10 per cent of industry's "process heat" to refine ore into metal, make glass, crack oil, etc. Industry by industry, the committee listed the biggest changes to come:

Atomic Power. The seven nuclear power plants now being built or in the blueprint stage will produce about 800,000 kilowatts by 1960, as compared with 160 million kilowatts by conventional plants. By 1965, atomic power may be competitive in cost with conventional plants, and by 1980, atomic power capacity may increase to 135 million kilowatts—20 per cent of the national total. However, total demand for electrical power will climb so fast that conventional power plants will also continue to expand, the committee forecast.

Mining. Despite predictions that thorium will displace uranium as the primary fuel for nuclear power plants, the committee stated that both will be needed. But it raised a warning flag against over-expansion in uranium mining and milling.

Agriculture. The committee forecast a worldwide revolution that will eventually boost farm productivity, and lower costs. Radiation has already been used to breed high-yield barleys and leaf-spot-resistant peanuts; radioisotope tracers have shown the way to more effective use of fertilizers.

Food Preservation. Radiation may also prove itself a cheap and convenient method of killing bugs in stored grain. Army Quartermaster tests show that radiation can also reduce spoilage in onions and potatoes; preserve bread, chicken, pork, and some vegetables without refrigeration; and extend the refrigerated shelf life of beef and lamb as much as ten times. In 5 to 20 years, food radiation will be a sizeable industry, according to the committee.

Medicine. Atomic diagnosis and treatment of cancer will so prolong the life-span that we must abandon

the idea that effective working life ends at age 65, the report stated.

Shipping. The committee saw little prospect for atomic dry-cargo freighters or passenger liners. Because of long layovers in ports, the savings in fuel would not offset the greater cost of such vessels. But huge oil tankers, which turn around fast, would find atomic power profitable. If the Maritime Administration is ready to subsidize atomic tankers, the atomic-propulsion industry can expect $3 billion from shipbuilders alone.

Again and again, the committee returned to its biggest point: AEC should share its nuclear knowledge with private companies and even set up its own "alert, forward-looking" special staff to shift as much emphasis to the peaceful atom as has so far been placed on the bomb.

—*Time*, February 6, 1956, p. 81:1.

The Gentle Art of Taxmanship

"TAXMANSHIP" is the generic name that has been given to the art of finding items that do not have to be shared with Uncle Sam or that can be subtracted from otherwise taxable income in order to reduce the tax due or qualify for a refund of tax withheld. The income tax return engages all the wits and money-saving instincts of millions of do-it-yourself fans.

The Internal Revenue Service has urged people to work out their returns for themselves, to spare the burdens on the revenue agents. Internal Revenue Commissioner Russell C. Harrington gives assurance that the return is not complicated: "A high school kid should be able to fill out the average return if he knows arithmetic."

With do-it-yourself projects outward simplicity is often deceptive. The real do-it-yourself fan ignores the simplicities of the law so as to give undivided attention to the complexities. The biggest-selling of all how-to-do-it books are the popularized guides to income tax savings.

According to Sidney Margolius, writing in *Harper's* a year ago on "The Art of Taxmanship or How to Save Money Without Going to Jail":

> In these days of soaring taxes, the strategy of tax avoidance—or taxmanship—has become a new national pastime, second only to baseball in general interest and to none in excitement, because more people can play and all of them play for keeps.
>
> To provide for the growing enthusiasm for the game, a sizeable new industry—tax experting, the science of "minimizing"—has sprung up with a literature and code all its own. J. K. Lasser's tax guide alone has sold more than thirteen million copies in its eighteen years as the taxpayer's *vade mecum*, and this year its sales are running 100 per cent ahead of last.
>
> There are also seven other annual guides, and Commerce Clearing House —one of the big professional tax services which ran its presses on three shifts during 1954—is currently building a huge new plant to keep up with the national hunger for tax tips. There is even a Tax Book Club for deduction aficionados and a monthly magazine, *Taxes*.

The taxmanship movement has a

simple foundation. Congress has been remiss in getting tax rates down to tolerable levels. So the enterprising citizen is driven to do it himself.

Gratifying as it is to observe still another manifestation of the resourcefulness of the American people, there are some less satisfactory aspects of the movement. Mr. T. Coleman Andrews, Mr. Harrington's predecessor as Internal Revenue Commissioner, said on a radio program recently that the present progression of personal income tax rates is "the greatest potential that anyone has ever thought of for making out of us a nation of liars and cheats." The fact is that income tax rates set the rewards for evasion so high that the basic honesty of the people is sorely tested.

—*Monthly Letter* (First National City Bank of New York), March, 1956, p. 34:2.

Rising Incomes Mean Bigger Markets

THE STARTLING GROWTH of the American middle-income and middle-rich classes is increasing markets, changing buying habits, and raising our standard of living. A new study made for *Nation's Business* under the supervision of Hyman B. Kaitz, Bureau of Employment Security, U.S. Department of Labor, from official government sources shows this growth for the first time in terms of 1955 dollars after taxes.

Put on a comparable basis, the figures show:

The number of consumer units with incomes of $4,000 or more, after taxes in 1955 dollars, has increased by 85 per cent since 1941.

The population has increased about 23 per cent, and the total number of consumer units about 25 per cent since 1941. The number of consumer units with incomes of $4,000 or more has therefore increased at a rate about 3½ times that for the population as a whole, or for consumer units as a whole. The next 10 years will bring a further increase in this income group of some 33 per cent. Meanwhile, the units with less than $4,000 income are becoming fewer.

A Federal Reserve Board study this year shows the tremendous impact of this income increase:

Those with incomes above $4,000 are 60 per cent more likely to buy major household equipment or furniture than those with incomes below $4,000. Those with incomes above $4,000 buy about four times as many new automobiles per 100 families as those with incomes below $4,000. The increase in the number of households with incomes over $4,000 is therefore a major factor in the sustained prospects of many markets.

Even conservative estimates promise that by 1965 the proportion of households with incomes exceeding $4,000 will be about 67 per cent in contrast to the 52 per cent over $4,000 in 1950.

—ROBINSON NEWCOMB in *Nation's Business* 11/55

AUTOMATION has not led to widespread unemployment where it has been introduced, according to a recent survey of 1,574 companies by *American Machinist.* Twenty-five per cent of these companies had installed some form of automation; of these less than 25 per cent had reduced their labor forces, while many had hired more workers.

How Not to Hire an Executive

GREATER DEVOTION hath no woman than to knit her husband a pair of argyle socks. But he'd better not wear them the day he's being interviewed for an executive position.

That, at least, is the advice of a number of specialists in executive recruitment, who deplore what they consider many irrational attitudes of executive-hunting corporate officials. Just why company officials tend to reject men who do not conform in such minor matters is not clear, although it might make a dandy research project for some college.

Consider, for another example, the grievous error of the executive who goes to an interview wearing a mustache. It's likely to raise the hackles of the typical company official on the hunt for top talent. The man who doesn't wear garters is out too, so far as some companies are concerned, and few are likely to hire an executive who goes hatless.

What this has to do with a man's ability to handle an executive job puzzles the professional recruiters. They assume that the prejudice against mustaches, for example, is unconscious in most cases. Where it is conscious, they think the interviewer may fear to send a man with a mustache into a small community where a similar prejudice may exist. A frequent reluctance to hire divorced men is definitely based on that consideration; and, big town or little town, a prospective executive's wife must conform to certain standards. One recruitment concern always gives the wife what is called "the martini test" before finally recommending her husband for a position. Possibly the recruiter and his wife will meet the prospect and his, in as relaxed a social situation as can be contrived, and Madam Prospect will be given an opportunity to display whether she knows at which martini to stop.

Consultants and recruitment concerns consider such precautions not only reasonable but necessary. And in at least three respects, they report, employers' attitudes have improved greatly in recent years.

A hearing aid no longer disqualifies a man. "With most employers they figure no more than wearing glasses," one says.

Likewise, the 40-year burgeoning paunch or the 50-year bags-under-the-eyes no longer flag a prospect to a stop. "It used to be," one of the experts says, "that companies acted as if all executives over 40 should be taken out and shot. Nowadays we still occasionally run into the concern that wants a 30-year-old man with 50 years' experience, but it happens much less frequently. Even where they think they want a younger man, they will often take an older one when they see what talent is available in a specific individual of more maturity."

One management "sin" mentioned by all the consultants and recruitment men canvassed is an employer's apparent inability, in a great many cases, to get it out of his head that the interview and hiring is all a one-way

process—that he is doing the prospective executive a favor and that that is the whole story.

A partner in a large consulting engineer firm puts it this way:

"If there is one thing above all others in which a company errs in talking to prospective executive employees, it is in adopting an attitude of condescension."

Many executives fail to realize what it's like to be on the other end of a recruitment interview, agency men say, but a lot are learning about it because of recent corporate mergers, which have made many capable men quite susceptible to offers from outside. The shock comes when the prospective new employer gives them the old employment-office routine, starting with, "Why are you looking for a job?"

Another recruiter complained of a similar type of thoughtlessness or discourtesy: long delay by the employer in making up his mind. One topflight administrator of research projects had been persuaded to meet with executives of a large national corporation who badly needed a man of his kind. Research administrators being even scarcer than good research men, it had taken the firm a long time to find one who was willing to consider switching employers. But he came in and was interviewed up hill and down dale. For the next eight weeks he heard nothing from the company. The best he could learn about it was that the company was "still thinking it over." Eventually the call came—he had been accepted. He turned the job down, telling his contact man, "I wouldn't work for them if they had the last job in the world."

—ALFRED G. LARKE. *Dun's Review and Modern Industry*, January, 1956, p. 42:3.

Personnel Executives Look at Automation

WHAT will be the major effects of automation in the industrial relations field? A decrease in the workforce of individual plants, greater specialization, proportionately lower labor costs, more centralized company organization, greater supervisory training needs, higher wage rates, and more widespread application of severance pay are among the consequences foreseen by a representative group of 67 personnel and industrial relations executives recently surveyed by the Bureau of National Affairs.

Asked to predict the spread of automation over the next five years, their responses show little agreement on how much impact automation will have on industry, although there is general agreement that it will affect most industries to some extent. Executives stress that each industry will have its own approach to automation. In general, the personnel executive believes that his own company will "automate" at least as rapidly as most other firms in the same industry.

Respondents are also agreed that office operations will undergo a greater degree of automation than manufac-

turing operations. This largely reflects the fact that in the past automation has been applied to manufacturing rather than the office.

The majority of personnel-industrial relations executives believe that the workforce in individual plants will be either the same or smaller than at present. Less than one-fourth of them believe that automation will lead to larger workforces within individual plants.

Asked whether automation will bring about a reduction in the length of the standard work week, three-fifths of those surveyed replied, "No, not during the next five years." Two-fifths believe there will be a cut; a few added the qualification that automation will be one of a number of factors leading to a shorter work week. Eighty-seven per cent of these personnel executives who foresee a shorter work week predict that it will be no shorter than 35 hours; only 13 per cent believe it will be 32 hours or less.

Automation will bring with it proportionately lower labor costs, in the opinion of a majority of executives in larger companies (over 1,000 employees). But executives in smaller companies (less than 1,000 employees) tend to be more evenly divided on the subject. Fifty per cent see a decrease; 14 per cent expect labor costs to remain about the same; 36 per cent expect an increase.

Not only will average wage rates be raised through an increase in the proportion of skilled employees in the workforce, but the majority think that automation will require increases in individual wage rates. A provocative point made by one executive is that the presence of a union in the plant may actually retard the wage-adjustment process where the contract is not open for such modifications.

Fully one-half of the respondents expect that with the advent of automation, company organization will become more centralized. Another one-third expect automation to have no effect on company organization.

Another problem surveyed was whether automation will mean more or fewer levels of supervision than now. The responses indicate that executives in larger companies anticipate the same number or fewer levels, while the opinion among executives in smaller companies is varied. But the great majority of the personnel executives (in 78 per cent of larger companies and 86 per cent of smaller firms) are convinced that automation will bring with it greater supervisory training needs.

Will automation bring in its wake added union jurisdictional problems? Opinion is evenly divided on this point: one-half of the respondents envisage no added problems, while the rest definitely do.

Employees displaced through automation will not constitute a serious problem, most personnel and industrial relations executives believe. They feel that in the typical company, employees who are displaced will be absorbed elsewhere within the company itself. Moreover, a number of executives stress that expanded production accompanying automation will create new employment needs.

The executives were asked whether, in their opinion, more widespread application of severance pay will accompany automation. Those answering "yes" to this question outnum-

bered the "no's" by a three-to-one margin. But some believe state unemployment compensation is a satisfactory alternative to severance pay.

The strongest points a company can make in seeking to gain acceptance of automation by employees, according to the survey, are the need to compete with other companies technologically and the increased job opportunities which accompany automation.

Some of the specific steps which companies take in molding employee thinking on the subject of automation are:

1. Installing automation gradually, to give the natural curiosity and interest of employees a chance to manifest itself; their questions can then be answered frankly and their doubts resolved.

2. Retraining employees to provide them with the needed additional skills, and relocating them when automation causes a downgrading in their former jobs.

3. Sharing the gains of technological improvement with employees assigned to the new method or machine by granting wage increases.

4. Linking automation to profit sharing as a channel through which to present and discuss the meaning and impact of automation on employees.

5. Educating employees on the subject of automation through the regular communications channels: house organs, reading racks, letters to employees' homes, films, supervisory meetings, and employee-management meetings.

—*Personnel Policies Forum Survey No.* 33 (Bureau of National Affairs, Inc.), November, 1955.

Absenteeism—A Billion-Dollar Burden

SOME NEW MEASURES of the cost of absenteeism are suggested by the Research Council for Economic Security. Sickness absenteeism alone, it reports, causes a loss equivalent to the production of 1 million workers annually—a loss estimated conservatively at $5 billion.

Reducing absenteeism by one-half, for example, would be equivalent to adding one-half million workers to the labor force, thus relieving many of the current shortages. It would also greatly increase wage totals and thus boost purchasing power, according to the Council.

Among the guideposts offered by the Council to reduce absenteeism:

1) Company medical programs can play an important role. They should go beyond the maintenance of conventional first-aid stations and dealing with job-connected disabilities to include periodic medical checkups, follows-ups of illnesses, and assistance to workers in getting proper care and treatment.

2) The underlying causes of absenteeism should be carefully explored, since getting rid of the "absence-prone" worker or disciplining chronic absentees are not effective methods of preventing or controlling absenteeism.

THE FEELING of having done a job well is rewarding; the feeling of having done it perfectly is fatal.

—Don Fedderson

Planning Your Product Development Program

A MAJOR SHARE of the $2.5 billion which industry is pouring annually into research is earmarked for development of new products. It is estimated that industry spends $1 billion a year for new product development.

No one knows exactly how many products are introduced each year, but the number is large and constantly increasing. Hilton & Riggio, Inc., a New York advertising agency, conducted a survey among 200 large manufacturing concerns and found that more than 80 per cent of them always have one or more new product ideas in the hopper.

These are some of the principal reasons why firms are going in for new product development: (1) to meet competitive pressures; (2) to utilize productive facilities and smooth out seasonal fluctuations more fully; (3) to take advantage of new market opportunities; (4) to boost lagging sales of existing products; (5) to maximize output of the sales force; and (6) to build profits, wages, employment for long-term growth.

There are other motives, of course. Constant research and development in new products is simply good business. A classic proof of this is the giant, research-minded pharmaceutical industry, which estimates that 60 per cent or more of its present sales, and an even higher percentage of its current profits, are accounted for by products which it did not make five years ago.

Examples of success naturally encourage new product risk-taking. The new product is, after all, at the heart of most industrial success stories, and few people are more aware of this than those responsible for directing young, growing companies.

The road to success through new product development is not always smooth; in fact, there is impressive evidence that the majority of new products in the consumer and non-consumer goods field fail to survive. The ratio of success to failure even for large companies with well-muscled research staffs is about one success in five tries. This is probably ten times better than the new product record of small businesses.

But failure need not result—especially if precautionary steps are taken before the new product is exposed to the dynamic forces of the marketplace. Management leaders consider it indispensable to the successful development and marketing of new products to make sure that the new product offers some clear advantages over existing products in its line. Ideally, it should cost less to produce, last longer, and give the consumer something he cannot get elsewhere.

Generally, the experts believe it is better to concentrate on making products related to your present product line. Doing this can save costly retooling expenses, the need to re-educate the sales force, and the necessity of hiring workers with skills different from those already on the payroll.

And new products must usually be priced competitively. The new product that can be sold at a premium price is the exception. Therefore, you should

make certain—in advance—that you will be able to sustain price cutting by competitors, and have a broad enough margin between manufacturing costs and sales price to cover distribution, sales, advertising, retailer incentives, and other factors.

. Timing is also important. A head start on the competition is desirable. Many manufacturers skip the market test only to discover that demand for the product does not come up to their expectations. Fads are short-lived; only the early birds in craze-selling do well.

You must know that your company has or can lay its hands on financial resources needed to put the product across, since in almost every instance manufacturers have learned that it cost more to put the product across than they anticipated.

Manufacturers list the following factors as the most important causes of new product failure: (1) lack of a well-thought-out marketing program; (2) lack of pretesting of product with consumers; (3) lack of market test; (4) insufficient product research; and (5) lack of pretesting of packaging.

Obviously, bringing as much knowledge and experience as possible to the problem of new product development is the surest way to minimize the many inherent risks. The satisfactions and rewards which will arise from success with a new product will make the investment in caution seem a small one.

—*Nation's Business*, February, 1956, p. 86:3.

Top Management Looks to the Office Manager

TODAY'S OFFICE MANAGER occupies a pivotal position in business and industry. His contacts are numerous and of many different kinds. He has relationships not only with employees and with top management but also with a large number of suppliers of goods and services, with customers, and with dealers.

He collects the raw data on the results of operations and converts them into reports and statistics which form the basis for management decisions. He makes it possible for management to know where the business stands at the moment, where it seems to be going, and what factors are influencing the trend.

His office, then, is both an operations center and an information center. He is the managerial person who is closest to the basic data of the business. He must see those data clearly and he must comprehend what he sees, or top management will be flying blind. They have to rely on him for the facts they get about the real world of business, the world in which the actual operations of buying and selling, producing and shipping and storing are being carried on.

At International Harvester Co. we have about 160 management people who act as office managers, though their actual titles vary.

We expect each office manager to

assist the operating head in every way possible. We expect him to keep himself currently informed on company policies and objectives, not merely in his own sphere but generally. He must know our products, including our new products. He must know our plans for improving products and services. He must be concerned with our relationships with employees, customers, share owners, and the communities in which we do business.

We expect the office manager to be a leader and to have a genuine interest in the personal and professional progress of the people on his staff. He has a teaching responsibility. He must be able to transmit his knowledge and skill to the people who work with him.

He has ample authority but, like all the rest of us in management, he ought to feel some sense of personal failure if he actually has to "pull his rank." We want him to lead rather than to command. He has the obligation to develop in his staff a deep loyalty to the company and a feeling that the company's success and their success are identical.

Obviously, he can only achieve this result if he is an open-minded and receptive person, willing to hear new ideas, willing to give credit to others, acute in his judgment of other people, and free from favoritism or bias.

The office manager today must recognize that despite short-cuts in office procedure and the increased use of mechanical equipment, there is a constant increase in paperwork and clerical costs. He faces a serious challenge, becoming more serious all the time, as to how to do a good job for his company and yet not sink the ship with the sheer weight of paper. He will be hard pressed to find ways of cutting his costs. Perhaps the most promising are to discontinue preparing unimportant data, to streamline certain procedures, and to use more efficient office equipment.

Two facts about the future course of business are likely to have an important effect on the office manager and his work.

The first fact is the increasing rigidity of the industrial cost structure. It is no longer true that when production stops, direct labor costs cease. With the many fringe benefits industry has agreed to pay for, most recently the supplemental unemployment benefits plans, more and more costs will continue whether production goes on or not.

The second major fact of the postwar business world is that much of our financial planning must now be long-term in character. Today decisions are commonly made for five or more years ahead, and these decisions may influence the future course of a business for 10 to 15 years. While management cannot make long-range forecasts that are 100 per cent accurate, we dare not be basically wrong in very many forecasts or we shall suffer severe penalties.

Typically, today's manager is a man who applies all the information he can gather to the solution of a problem. He uses all the data. He realizes that there may be a long interval between the time he decides on a course of action and the time when that action bears fruit in increased income.

Consequently, he wants his facts well in hand; he wants all the guidance he can get before he commits his enterprise to a long-range course. A

mistake in his assumptions could have serious consequences after the program has started and when it is too late to change.

Both these major developments present the office manager with many new problems. He will have to watch the cost and other data which will enable management to plan a high level of production and maintain stable production.

He will have to gather many of the facts on which management will rely in thinking ahead. He not only will supply the operating data but, perhaps even more important, he will often supply the interpretation of those data to guide management in using them properly.

One of the office manager's immediate problems will be training and developing employes to prepare them for increased responsibility. His people will have to deal with new kinds of problems and he must get them ready for those experiences.

Over-all, it seems certain that his job will constantly become more administrative, more concerned with decision-making, and less and less with routine.

—From an address by CHRISTIAN E. JARCHOW (Executive Vice President, International Harvester Co.) before a seminar of the Office Management Association of Chicago and Northwestern University.

Headaches in Triplicate

FOR A GREAT DEAL of present-day record-keeping you can blame government—federal, state, and municipal.

Consider a single instance of red tape turned up by the Hoover Commission: the papers required to cover any shipment of goods out of the U.S. In addition to applying for an export license, a domestic shipper must also fill out various other forms, while the recipient abroad must get a letter of credit, arrange for foreign exchange, reserve shipping space, get consular invoices, and process several other customs papers. Here's the rub: Before the government acts on the initial request to make a shipment, several of the required documents may expire, and steps must be taken to renew them. Further delays may cause the original license to lapse. This wasted clerical time, therefore, is an expensive factor in addition to the ordinary cost of filling out forms and filing them.

The Hoover Commission's task force found that the trucking industry has been spending $5.2 million a year in keeping records required by the ICC. Airlines, to note another example, are forever struggling to keep their heads above a sea of paper. The form required by Washington in listing the passengers on every flight arriving in the country from anywhere other than Canada or Honolulu is seven pages long, and five copies of it must be distributed among the customs service, the Public Health Service, and the immigration officials. In one recent year the government handled 2,382,625 copies of papers on incoming flights from abroad. Fortunately, business has more control over records kept for its own use. Still, much waste and duplication may be caused by failure to coordinate the needs of various departments in a company.

—*The Biddle Survey* (Biddle Purchasing Co., New York) 1/10/56

Is Your Company Ready for SUB?

WILL 1956 be your year to ride the SUB tiger? Whatever the answer, perhaps you should be studying the major contracts already signed to prepare for the demand, if and when it crosses your bargaining table.

What are your chances of having to meet the demand this year? Two factors weigh heavily:

1. What's the status of your pension, hospitalization, and insurance programs? Many companies, particularly those in the under-500 employee group, haven't caught up with industry leaders on fringe benefits.

2. Which union do you have to bargain with? If it's the Auto Workers, chances are the SUB demand will be made. But several unions like the machinists and some smaller independents are not interested in SUB, particularly of the Ford type. They're more interested in wage boosts. But the Steelworkers are expected to seek a "vested" or income security type SUB program in "big steel."

Labor contracts vary from company to company—patterns of employment, production, layoffs, and wages differ widely. That's why even though a few major SUB contracts have been signed, you don't necessarily have to follow them to the letter in your bargaining.

Note the similarities in existing SUB plans: cost to employers, amount of benefits paid. Note the major differences: duration of payments, seniority and eligibility requirements, provisions for dependents, restrictions on benefit payments, individual account vesting.

Among the primary considerations in studying a possible SUB plan for your company are contribution costs and your layoff record. For many companies the contributions could substantially reduce working capital; severe unemployment cycles could deplete the SUB fund so rapidly that a 5-cent contribution would be inadequate.

While most of the major contracts involve a 5 cent an hour contribution per employee until a maximum fund limit is reached, several settlements have been made for less. Continental Can Co., for example, pays only 3 cents into its general fund, although the company has a contingent liability for 2 cents more if the fund becomes exhausted.

Albion Malleable Iron Co. (Albion, Mich.) makes contributions on the basis of the amount of money in the fund. Payment began at 1.9 per cent of the total payroll. Every four months a new evaluation of the trust fund position is made, and as the fund amount increases toward the maximum, contributions decrease. At its maximum, the fund will amount to about $165 per employee, compared with nearly $400 in the Ford plan. To permit this lower cost contribution—designed to conserve the company's working capital — Albion Malleable pays the first four weeks of SUB benefits to employees from its own funds as current expenses.

In studying your layoff pattern to determine what your maximum SUB fund should be, go back at least 10

years. The coverage of most plans is limited to a layoff of not more than one-third of the workforce. It is important to determine whether anything can be done to stabilize operations and reduce layoffs. Some additional factors to consider when evaluating your layoff experience: How many layoffs were due to general business conditions rather than seasonal influences? To supplier strikes? Retooling and model changes? Transportation problems? Weather? What proportion of workers laid off were not rehired?

Other points relating to the size and drain on the SUB fund are eligibility and the amount of your state unemployment compensation. The can companies require three years of service for eligibility, largely because of seasonal employment factors. Ford, GM, Allis-Chalmers, and most metalworkers require a year of service. Check on your state's unemployment compensation figures. You'll be paying the difference between those and 65 per cent of take-home pay—the higher the state payment, the lower your SUB benefit.

SUB is nothing more than a new cost of operation. The contribution cost will not decrease under current contracts expiring in 1958, because the maximum fund level will not be reached by then. Theoretically, the eventual cost of SUB will decrease substantially for the company that maintains stabilized employment. That's why it's important that you develop as accurate a picture as possible on what your specific SUB needs may be.

—*Steel*, March 5, 1956.

The Managerial Mind: A Critical Appraisal

IN AMERICA today the idealized national type, the personality norm to which most people tend to conform, is that of the business administrator. Whether we know it or not, it is by his standards that we Americans measure ourselves and judge others—a fact which puts a tremendous responsibility on the business administrator in real life.

What is our national ideal really like? How does he think?

Above all, the administrator thinks responsibly. His first duty is to maintain the activities of his organization; he will improve them if he can, but he must keep them going at all costs. He will test the value of an idea with such questions as these: "Will it work in practice?" "Will it hurt or benefit the organization I serve?" "Will my colleagues go along with me?"

Essentially and necessarily a conservative, he welcomes cautious developments provided these lie within the conventional, accepted framework of his society. Nothing will induce him to step beyond those limits if he can help it; and in this he is professionally correct, for he is the leader and guardian of his society.

Probably there has never been a na-

tional way of thought and action that has more greatly benefited the nation in question and the world at large than our own. Quite apart from our broadly distributed national wealth, the level of our education, and the humanitarian ideals guiding many of our policies, this country has shown a genius for effective collaboration — that is, for organization and teamwork. And never has there been such an actively organized society. Nearly every important aspect of life is promoted by organizations of one sort or another; business, science, the professions, learning, even ideas are developed by organized groups. This is teamwork raised to a high pitch.

Yet the habit of thinking in terms of social acceptability, in terms appropriate for the conduct of affairs, can easily lead to a certain conventionality or even timidity of thought, with conformity regarded as a major virtue in its own right. Clearly, unless we are to return to jungle law, there are many occasions when conformity is required of us; all cooperative activities depend on a willingness to conform to the general rule. It is exactly this ability that has given Americans such unusual skill in cooperative enterprises, happily coupled with a strong tradition of individual initiative in practical affairs. The trouble is that when conformity for its own sake becomes a major virtue, then to hold an unusual opinion about anything signifies a defect in character. The "ideal" is then for everyone to think alike, and the worth of an idea is determined by its popularity.

Intellectual effort is very highly organized in this country, in accordance with the administrator's way of thought. And it must be granted that we *have* spectacular intellectual achievements to our credit in many fields of science and art. Our scientific pre-eminence, for instance, is not a happy accident; it is the direct result of intelligent organization on a hitherto undreamed-of scale. We have an astonishing record of effective organization all down the long line of activities from the training of the scientific student to the new or improved product rolling out of the factory.

But in the process of thought there is a stage beyond which organization cannot go. There are some kinds of ideas which are not born in committees, are not the product of close collaboration, and do not take kindly to compromise—genuinely original thinking, fundamentally new ideas which radically change our understanding of the universe and our place within it.

The intellectual history of western civilization is full of men who performed such feats of original thinking and who revolutionized the ideas of their day. *Almost all these men were from Europe or from the Middle or Far East.*

Why, with all its great achievements in the world of thought and art, does our society, the administrator's society, stop just short of fundamental originality? What light does this question shed on our mental processes—the degree to which we are permitted—or refused—the right to think for ourselves?

Independent thinking is a matter of habit; it depends on a social climate which expects and respects an honest divergence of views, which refuses to regard conformity as a major virtue in its own right but sees it rather as

a social skill appropriate for practical situations involving others (as business affairs usually do). Conformity, when it is the habitual attitude of mind, will not prevent expression of clever ideas and ingenious inventions within an approved framework of thought, for that is socially encouraged; but it is hardly compatible with a habit of relaxed, independent thought and reflection which is the foundation of genuinely independent ideas.

An insidious danger, therefore, lies in the employment of the administrator's way of thought in directions where it does not belong. It is not the best of the administrators who exhibit this danger so much as it is their conscious and unconscious imitators. Leading administrators are likely to be men of unusual mental capacity; and though their own thinking may not stray beyond accepted limits, as befits their practical responsibilities, they are far from being the least tolerant of men toward unconventionality in the realm of ideas.

The best way to guard against the danger of intellectual intolerance is to recognize that this danger exists and to try to understand its character. Of course, it is also necessary to be on one's guard against a complacent acceptance of one's own, or one's society's, limitations — a tendency to which a nation with a proud record of achievement may be particularly prone. Yet Americans in general, and business administrators in particular, are less defensive than most other peoples. One of our national peculiarities is the frankness with which we criticize ourselves, as well as each other. Herein lies one source of true greatness in our astonishing and progressive civilization.

—T. North Whitehead. *Harvard Business Review*, January-February, 1956, p. 33:8.

The P.R. You Don't Pay For

An employee's attitude toward his own job is more influential in shaping the sentiments he expresses off the job about his company than any amount of company information furnished him, according to a survey conducted by the American Telegraph & Telephone Co. among more than 1,000 of its employees in three cities.

Much of the public's impression of a company is gathered from off-the-job conversations among employees, the survey found. Other "non-verbal" impressions influencing public opinion are how the employees dress and act, maintain their homes, go about their jobs, and act as citizens. Likewise, employees' families are often "ambassadors" —for good or bad.

Company-sponsored information which lacks personal interest fails to "reach" employees, especially when it deals with facts and figures, finances, and broad corporate affairs, it was concluded. Information received merely through written material or lecture-type meetings is not absorbed or understood. The survey found that employees prefer small two-way meetings to other formal communications methods.

—*Industrial Relations News* (230 West 41 Street, New York 36, N. Y.) 1/21/56

What's Happening to Labor Productivity?

LABOR PRODUCTIVITY went up another notch last year in most manufacturing firms, judging from the findings of a survey made recently by *Mill & Factory* among 173 representative companies of all types and sizes. Fifty-six per cent of the respondents reported an increase in productivity, 40 per cent indicated that it had remained at about the same level, and 4 per cent stated that it had declined.

Causes of higher productivity cited by respondents included use of more efficient equipment (mentioned by 71 per cent); better supervision (67 per cent); increased mechanization and improved production control (each cited by 44 per cent of the respondents); incentive plans (33 per cent of those surveyed); and improved work skills (28 per cent).

In companies where productivity had declined, worker indifference was mentioned in every case as a cause. Sixty-seven per cent of the companies regarded "artificial production limits set by unions" as another factor. Poorer supervision and the utilization of less skilled workers were both mentioned by 33 per cent of the respondents. Scarcity of materials was cited by 17 per cent.

Mechanization of plant facilities had met with employee resentment in only 10 per cent of the companies surveyed; 90 per cent of them had encountered no such difficulties.

And most of the companies were satisfied with the work performances of their employees. Eighty-six per cent reported their workers were giving them a "fair day's work"; only 14 per cent thought they were not.

Social Life on the Assembly Line

MANY PRODUCTION employees would probably like a broadening of their jobs—from one repetitive operation, say, to a series of operations in which they can see real significance. Recent experience has shown that certain kinds of operators respond with a marked increase in productivity when variety is introduced into their work.

But there are other cases where it doesn't work out. In one New England plant, for example, a group of women who had previously operated in hand assembly lines of six were given the opportunity to try the same assembly in groups of three, two, or one. Any of these three arrangements gave promise of becoming practically as efficient as the six-girl assembly line, and would make possible as good or better rates of pay.

But the girls voted to go back to the old way. The reason, as they explained it to the personnel manager: Simple repetitive operations become so nearly automatic that they let you work and "visit" with the others. And that, they had decided, was a good deal more interesting to them than "interesting" work.

—*Management Briefs* (Rogers, Slade & Hill, New York) No. 71

OF THE $2 billion given annually to charity in the U.S., about $100 million goes to "charity rackets," reports the Twentieth Century Fund.

Are Office Production Standards the Answer?

THERE IS little doubt of the interest in the subject of office production standards and their use in increasing office efficiency. Both the proponents and opponents of measured production recognize the need for some means of gauging efficiency so that management can relate the number of man-hours provided to the man-hours required.

There are five necessary ingredients in such a plan:

1. The plan must be practical, allowing for the comparison of potential and actual production.

2. The various positions must be studied and improved before production standards are established.

3. There must be reasonable financial (as well as non-financial) recognition for attainment.

4. The plan must depend on sound supervision which recognizes the human element.

5. The employees must understand and accept the plan.

No one but a neophyte would turn the employees loose to accomplish their tasks by whatever means appeals to them and in whatever volume strikes their fancy. No one but a pure theorist measures each movement, each pencil stroke, and establishes an absolute time limit beyond which there is no tolerance or deviation.

A practical plan for establishing production standards starts with a complete analysis of all office positions. The analysis should fully explore all of the tasks performed, with particular emphasis on the 20 to 35 per cent of the activities which fall outside the scope of the regular routines. It is recommended that employees indicate the time spent on the various tasks.

Production standards can be established by: (1) time-and-motion study for each job and (2) the use of past experience for measuring group production. The slip-stick boys will settle for nothing less than absolute accuracy. The practical business executive will settle for a "yardstick" for measuring efficiency.

A standard can be established by measuring the amount of work turned out in a regular routine during a two- or three-month period and by dividing it into the total number of man-hours used.

Obviously, this is an oversimplification. There are several important qualifications:

1. All positions should be simplified as much as possible before any production count is made. The fullest use of mechanical devices should be made. Working conditions should be improved as much as possible.

2. Analyze the clerical duties falling into the miscellaneous category (representing 20 to 35 per cent of all clerical activities—65 to 80 per cent are related to specific routines) with the objective of eliminating as many as possible. Management may be responsible for much of this miscellaneous work.

3. There are several easily measured principal routines which will reflect the bulk of clerical activities.

Customers' orders and purchase orders can be counted. If there is no uniformity in the variety of items, then count the lines in the order. Vouchers written, cards punched, letters written, or key strokes per typewriter are other routines which can be measured.

4. Production standards based on past production count reflect actual production conditions. Normal delays, interruptions, and production problems are properly expressed in the standard, because the production count covers a sufficiently long period to encompass these various conditions.

5. Production standards can be developed by departments in large companies. In small companies, where task assignments may be rotated among individual employees, the standards are usually established by routines.

6. Production standards are more practical when applied to a group, rather than to each individual. It is the supervisor's responsibility to evaluate the individual's service record by a formal system of merit rating (employee performance rating) in which productivity is but one factor.

Rather than use a plan of financial incentive geared to each employee's productive rate, the financial incentive can take the form of upgrading, promotion, and salary increases as a reward for continued meritorious performance.

Definiteness is a "must" in the plan of production control. But it need not include a standard for each movement. A means of over-all appraisal should be sufficient to relate the man-hours provided to the man-hours required to perform a specific volume of work.

Define the procedures by which the principal routines are carried out. Standardize the forms, use mechanical energy, improve arrangements, and make the working conditions the best possible—then use past experience (measured production) for gauging future productivity. Office efficiency will be controlled by a practical and workable plan.

—Harry L. Wylie. *American Business*, February, 1955, p. 12:6.

Wanted: Better Public Readers

AMONG THE THINGS that would benefit business most right now would be some courses in public *reading*. In almost every city of any size you can find good courses in public speaking. But since, at a rough guess, somewhere between 75 and 90 per cent of speeches today are read rather than spoken from notes or straight-off-the-cuff, most public meetings are made unnecessarily dull because the so-called speakers are bad readers.

At each of a dozen conventions I attended over the last few months, some excellent speeches were utterly thrown away by the men who delivered them. In every case, if the man had been a good public reader, he would have had audience attention instead of yawns.

If all business men threw away their manuscripts and spoke from notes it would be fine. But people just won't do that. Reading speeches has become a convention convention.

This being so, here are a number of suggestions to the public reader. These are based on long (and frequently tiring) observation.

First, remember you are writing a speech, not an article.

Second, because it's a speech, remember that three-dollar words are never as good as 10-centers, when you can find the 10-centers that express your meaning. Often a three- or four-syllable word in an article sounds like a 10-syllable word in a speech.

Third, look up and speak up. Many speakers never establish communication with their audiences. Because they aren't looking up, they talk to the manuscript rather than to the audience.

Fourth, read your speech aloud to yourself at least five times (10 is better) before reading it to others. By reading a speech often enough you unconsciously memorize enough of it so that you are not chained to the manuscript.

Fifth, ad lib occasionally, even if you have to fake it. This gives you a chance to get away from your manuscript and look at your audience. It also makes the audience think they are getting something extra.

Sixth, don't ad lib too much. Many speakers write a 20-minute speech to cover a 20-minute assignment. Then they ad lib for 10 minutes more, thus tiring the audience, if not themselves. If you have been given 20 minutes, write a 15-minute speech and then plan to ad lib for the other five.

Seventh, if you use stories, *tell* them. Don't, for heaven's sake, read them. A good story told can be a pretty dull story when it is read.

Eighth, when your speech is typed, don't carry paragraphs over from one page to another. Nothing is quite so shattering to a train of thought as the pause that comes in the middle of a sentence as a speaker turns the page.

—C. B. Larrabee. *Printers' Ink*, Vol. 252, No. 11, p. 13.1.

Research Spending and Profits

THERE IS a definite correlation between the amount a company spends on research and the growth of its profits.

This, at least, is the conclusion of a study made by economist Lionel D. Edie of 11 industries for the years 1947-53. In detail, the top three industries spent 5.7 per cent of their sales dollars on research and development and experienced a gain of 52 per cent in their profits; the middle three spent 0.9 per cent on research and gained 9 per cent in profits; the bottom three spent 0.2 per cent on research and saw profits shrink by 3 per cent.

The study provides apparent statistical confirmation of the thesis that innovations aimed at increasing profits are one of the mainsprings of the development of capitalism.

—*Business Week* 2/25/56

Are Salesmen Sold On Their Jobs?

HOW DO SALESMEN view their job, its financial and personal satisfactions? Two recent surveys have examined the matter but have come to rather different conclusions.

A survey conducted by Dr. Raymond W. Mack of Northwestern University among 1,389 salesmen in 26 companies, representing 11 different industries, indicated that these salesmen lacked interest in their jobs and were dissatisfied with their salaries. The respondents also displayed a marked pattern of job mobility, the median time on their present jobs being 2.2 years. Migratory workers were the only occupational group with a lower ranking than salesmen in job stability, Dr. Mack noted.

A different survey, conducted by the Research Institute of America among 10,000 salesmen in 671 companies, representing 48 industries, indicated that 89 per cent of the respondents were satisfied with their occupation and that 65 per cent felt they were being paid equitably.

As to length of job tenure, RIA's survey showed that among salesmen with 3 to 10 years' experience, more than 70 per cent had been with the same firm more than 3 years. While the indications are that beginning salesmen may change jobs quite frequently, their job stability increases with age and experience. More than 45 per cent of those with more than 10 years' experience had been with the same company for more than a decade.

—*Sales Management* 2/15/56

Sizing Up Your New Advertising Agency

THE 2,800 advertising agencies in the U. S. today range from one-man enterprises with a single client to large firms serving more than 100 businesses. To determine what considerations carry greatest weight with an advertiser faced with the job of selecting a new agency, *Tide* queried its "Leadership Panel" of marketing executives.

The results:

Fifty-two per cent of the respondents would look at the caliber of the men to be assigned the account. Fifty-one per cent emphasize the importance of creative talent; 50 per cent weigh the agency's record; and 33 per cent seek past experience in their product or service line. Twenty-one per cent are concerned with the extent of available marketing services, and 16 per cent think it most important that the agency be conveniently located.

The agency's financial position and reputation are considered important by 11 per cent, and 7 per cent consider the size and importance of the agency's other clients. Only 1 per cent regard the size of the agency's billing as very important.

—*Tide* 3/10/56

LIMITED JOB opportunities for older people, coupled with an increasing average lifespan, have come to mean that at age 60 the average person can look forward to 15 years of life but only 9 more years of work, according to a new report of the Twentieth Century Fund.

How Efficient Is Your Plant Protection Force?

Is YOUR PLANT protection force on its toes? You may find it worth while to check on its efficiency, for a guard force that is constantly alert to potential loss is worth many times its cost to the company.

Here's how an executive of a large electrical equipment manufacturer puts it: "In this installation, we have between $55 and $60 million worth of building and equipment. That's two million square feet of property protected by a 25-man security force. We estimate that last year this force helped save around $3 million which might otherwise have been lost through incendiary and water leakage damage to buildings and equipment."

Says another: "A weekend check by a security officer turned up a burst water pipe cascading tons of water to deserted offices and production areas below. Quick action by the guard in shutting off main control valves effected an estimated saving to the company of $5 million in what might have been irreparable damage."

An official at a plant with a 50-man security force has this to say: "It's certainly conceivable that without these men we might well be out of business within 48 hours."

These case examples probably are typical of what goes on in hundreds of plants throughout the country. They serve to point up the fact that a plant security officer's job amounts to much more than guarding plant fences and routing potential thieves and vandals from company property.

"Aside from the usual duties of gate pass checking and time-clocking our plant area," says a leading manufacturing company, "our men know how and when to start up our generators and transformers so that they're warmed up and ready for work when the day workers come on duty. Likewise, they're thoroughly familiar with shutting down equipment when it's not needed. They're our eyes and ears when most of us are home in the evening or off on a holiday."

How do you man and build a good plant protection force?

Candidates for a spot on the force must be physically fit. And, in many companies, former police experience is almost a must. Where sidearms are worn, officers must know how to handle themselves in an emergency. Target practice and instruction in keeping weapons in good working order are routine.

Before a new man is hired, a thorough character check is usually made. Moral standards, off-duty associates, and general working habits are important. Companies should be prepared to offer good pay—at least equal to the scale of law enforcement officers in the community.

In selecting security officers many companies are putting considerable stress on attitude and appearance, as well as knowledge of the job. As one company official put it, "A plant guard is often the first contact a visitor has with a company. The manner in which the visitor is greeted and

his questions are answered may greatly affect his appraisal of a company and his subsequent attitude toward it.

"The guard, as gateman, as enforcer of company rules, and as a police officer, also has frequent contact with employees. An overbearing attitude on his part can do much to damage employee relations. A good attitude can help relations between employee and employer. Guards are expected to be courteous, and to act with restraint."

A good plant policeman also must know guard force regulations and procedures, the requirements of his particular assignment, company rules — especially the ones he must enforce; he must know the layout of the plant and the offices of the company, and be trained in safety and fire precautions and fire-fighting procedures.

Still prevalent, say some executives, is the popular conception that most plant guards are cops put to pasture, just a step ahead of retirement and pension. Actually, however, the emphasis is on alertness, resourcefulness, physical stamina. Plant security, management has learned, is a highly responsible job and demands able men.

At the Fairless Works of U.S. Steel Corp., for instance the 100-man unit is headed by a captain and four lieutenants. The ranks include former state policemen as well as municipal and federal law officers. Most of the men are in their mid-30's and 40's. They're well versed in the use of two-way radio cars, station-to-station intercommunications systems, first-aid and life-saving techniques, and many other activities that call for brains as well as brawn.

—D. G. Picinich. *Iron Age.* February 2, 1956, p. 35.2.

Office Salary Trends: A New Survey

Office salaries are holding at the highs of previous years, the Office Executives Association of New York has reported after a survey of 106 large and small companies in New York City, employing over 56,000 workers. Secretary and stenographer pay rose, while minor decreases were seen in some clerical salaries.

More than half of the companies were studying salary rates as a prelude to further revision; more than 25 per cent reported a general pay increase during the 12 months which ended September 1.

These findings, which form part of a nation-wide study of clerical salaries by the National Office Management Association, may foreshadow trends to be revealed in the wider study.

Twenty-four representative jobs were surveyed to determine rates paid in various industries and in offices of varying size—from 1-25 employees to over 5,000. In addition to direct salary data, attention was given to paid holidays, vacations, fringe benefits, and other practices affecting the cost of office personnel.

Thirty-five hours was found to be

WEIGHTED AVERAGE SALARIES FOR 12 CLERICAL JOBS

Position	*1955*	*1954*	*1953*
Senior bookkeeper	$76	$78	$76
Junior bookkeeper	61	64	59
Junior general clerk	49	50	48
Payroll clerk	72	69	67
Tabulating machine operator	63	67	63
Key punch machine operator	54	54	53
File clerk	48	48	45
Private secretary	85	81	78
Senior stenographer	63	60	60
Senior typist	56	56	52
Junior typist	48	48	47
Telephone operator	63	62	58

the standard workweek for three out of five companies; practically all had a 5-day workweek. Most firms paid for overtime; a trend was seen toward paying on a daily basis—that is, for more than 8 hours, or more than the standard number of hours, worked in one day. Almost all firms had hospitalization and surgical benefit plans; the vast majority also offered group life insurance and some sort of pension.

As in 1954, the firms split almost evenly between those giving 10 or more paid holidays and those giving nine or less. Only five companies, however, gave fewer than seven paid holidays.

Two-week paid vacations were the rule; many firms also gave one week to short-service employees. Long-service employees got three-week vacations in most firms, four weeks in many others.

Pay rates varied widely according to industry. Average pay for a secretary-stenographer in automotive manufacturing, for example, was $100 as compared with $62 in education, $69 in banks, $78 in advertising, printing, and publishing. Even a messenger's salary swung from $37 in heavy machinery concerns to $58 in electrical manufacturing.

Size of company seemed to exert a variable influence on the pay scale. A private secretary, for example, averaged $78 in the smallest firms, $86 in the largest. But some accounting jobs were higher paid in the smaller firms.

The weighted averages for 12 of the 24 jobs covered among the 106 firms surveyed in New York City are shown in the table above.

PAYING FOR PROGRESS: The amount of gross national product spent on industrial and scientific research should reach a record level in 1956, the Battelle Institute reports. It estimates that $4.5 billion will be spent for such research this year.

—*Commerce* 1/56

Ten Steps in Forecasting Sales

MANAGEMENT is becoming increasingly aware of the importance of forecasting in guiding company activities, according to a study of more than 100 industrial companies recently completed by the National Industrial Conference Board. The Board found that companies are not only devoting more time and using more formal methods to develop their sales forecasts, but are also paying greater attention to general business trends.

The sales forecast is still the key instrument in planning and controlling operations for most companies. Short-term forecasting—three months to one year—is employed to regulate production, inventories, and purchasing; to set quotas and direct sales efforts; to budget and control expenses; and to plan cash requirements.

Although most of the companies do not attempt to predict sales more than a year in advance, the Board found a noticeable trend toward longer-range forecasts, used most often to plan long-run financing and plant development.

In preparing their forecasts, most companies undertake these steps:

1. Determine purposes for which forecasts are to be used.
2. Divide the company products into homogeneous groups.
3. Determine factors affecting sales of each product group and their relative importance.
4. Choose forecast method best suited to the job.
5. Gather and analyze all available data.
6. Check and cross-check deductions.
7. Make assumptions regarding effect of factors which cannot be measured or forecast.
8. Convert deductions and assumptions into specific product and territorial forecasts.
9. Apply forecasts to company operation.
10. Periodically review performance and revise forecasts.

Many companies assign forecasting to specialists because of its growing complexity. And while much of the work is done in the sales department as a function of sales management, forecasting is often delegated and overseen by top management.

Things They Notice About You

AN INDUSTRIAL ANALYST for a large investment counselling firm let fall this eye-opening tip recently in a luncheon speech:

"There's a sharp little sidelight on a company's management that sometimes shows up in its house organ or other employee literature:

"If the editor calls everyone else John Doe or Jack Spratt, but refers to the top men as Mr. Smith, or (worse) Mr. Jones, Jr., then check twice to be sure that top management is not as stuffy as this can indicate. It may be a sign only that the big brass has overlooked some well-meaning young man's misjudgment. But it may also indicate that they enjoy adulation and cultivate apple-polishers. This is not a management to be recommended to our investing clients."

—*Management Briefs* (Rogers, Slade & Hill, New York) No. 71

Expanding the Coverage of Group Insurance

MAKING GROUP insurance more widely available and modernizing and liberalizing the benefits provided are two important factors that have helped expand its use, according to Arthur M. Browning, vice-president in charge of group insurance of the New York Life Insurance Co.

A notable development along this first line has been the trend toward providing coverage for smaller groups. Originally, a group of 50 persons was considered the practical minimum, but in the last ten years it has been reduced to groups of 25. And, particularly in the past year, there has been a decided trend toward establishing a group of 10 or even fewer as the minimum.

The value and importance of modernization and liberalization are evidenced by the fact that the more recent coverages—hospitalization, surgical, and medical benefits—are showing a much greater growth percentage-wise than life insurance, the original coverage offered in the group field. However, the average amount of group insurance per employee has increased from $1,900 in 1944 to $3,100 in 1954. The average rate for hospital room and board benefits for group employees has increased from $4.50 to $9.20 during the same period.

Another prominent development in group insurance that can be expected in the future is the inclusion of a conversion privilege in all group hospital, surgical, and medical policies, according to Mr. Browning.

—*Employee Benefit Plan Review* 10/55

Holiday Pay for Non-Working Days— A Survey of Policies

MORE THAN 90 per cent of plant and office workers receive an extra day's pay or an extra day off when a holiday falls on a Sunday, and 85 per cent receive similar treatment regarding holidays that occur during their vacations, according to a study made by the Bureau of Labor Statistics covering 17 major industrial areas.

Some details of these prevailing practices highlighted by the survey:

Nearly 70 per cent of the white-collar workers get an additional day off when holidays occur during a vacation period; 9 per cent receive an extra day's pay; 4 to 5 per cent get either the extra pay or extra day. An extra day off is granted to 40 per cent of the production workers; about one-third receive extra pay; some 5 per cent get either extra pay or time off.

When the holiday occurs on a Sunday, 95 per cent of the office personnel and 82 per cent of the plant workers receive an extra compensated day off.

Compensation provisions are much less widespread for holidays that fall on a non-working Saturday; they are applied to about 70 per cent of the blue-collar workers, but only two-fifths of the office workers. Office workers so compensated generally receive another day off. About 25 per cent of the covered blue-collar workers get an extra day off; 40 per cent receive extra pay; the rest get one or the other.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 3/1/56

The Coming Turn in Consumer Credit

CONSUMER SHORT-TERM debt, perhaps the most controversial force in the booming U.S. economy, is approaching a historical turning point. Having risen at an abnormally fast rate for 10 years, it must soon adjust itself to the nation's capacity for going in hock, which is not limitless. Whether the rate of growth in consumer debt will slow down is no longer the question; it must. The question is when it will slow down, and how. There are, to oversimplify only a little, three ways that the decline can occur:

1. Debt growth (not debt itself) may coast downward so smoothly and gradually that the whole turn will be virtually painless.

2. Debt growth may slow down erratically, with painful effects for those industries—notably automobiles, appliances, TV, and all their suppliers—that have received the biggest stimulus from the abnormal rise in debt. For the economy as a whole, however, these consequences might be offset by growth and expansion in other industries, and the transition to a lower rate of debt growth could pass off without serious damage.

3. Finally, however, there is the possibility that debt may continue for a time to mount furiously, until it has reached a level where it has heavily overloaded consumers with fixed debt payments and overexpanded the industries depending on these consumers. Then it could go into an abrupt decline, and if this happened at a juncture when other critical components of the economy were turning downward, the turn in consumer credit would powerfully accelerate a general recession.

However beneficent some of the past effects of consumer debt, and however plausible the justifications for some of the recent increase, the fact remains that the recent rate of increase is too high to be sustained indefinitely. Inevitably there will come a time when the economy must be deprived of the extraordinary stimulus it got from the soaring growth of debt in the past few years.

Consumer short-term debt has been increasing somewhat faster than the nation's disposable income over the whole period since 1923, when detailed figures were first available. But during the past ten years, while disposable income rose at an average of 6 per cent a year, consumer debt rose at an average of 20 per cent a year. That is why all sophisticated economists, and many responsible bankers and businessmen, particularly those with accurate knowledge of the 1920's, are disturbed.

The bald, unadorned figures of consumer-credit expansion smell of a credit binge. The number of U.S. spending units—families and individuals living alone—has increased from 51,200,000 in 1948 to nearly 55 million today, or by 7 per cent. But the total number of debtors has risen 65 per cent, increasing from 22 million in 1948 to more than 36 billion. More than two-thirds of all spending units are now burdened with short-term debt. Their total debt has much more than doubled,

increasing from $14.4 billion in 1948 to $36 billion, with $6 billion of the increase occurring in 1955 alone.

Whether or not many consumers are, technically speaking, "pyramiding," the evidence mounts that they have begun to pile debt on debt to a significant degree. Many, having got extended terms from auto dealers, are taking advantage of the lower monthly payments to go in hock for appliances or furniture, or to buy soft goods on revolving credit. As a matter of fact, some seem to be borrowing cash to make down or time payments on expensive durables like autos.

Such are the dimensions of the huge increase in short-term consumer debt in the past seven years. Why can't it go on increasing this way?

If the current rate of increase were to continue another seven years, installment debt outstanding would have to rise to about 17 per cent of disposable income in 1962. How it can is hard to see.

For the rise in total installment debt was a compound of two factors: (1) the number of installment debtors increased from 19 million in 1948 to 35 million in 1955, or by 85 per cent; and (2) average debt per debtor rose from $475 to $800.

Over the next seven years the number of debtors cannot rise as it has over the past seven. The proportion of debtors is already extremely high precisely at the income levels that would have to account for any future increase: 78 per cent at the $3,500 level, 81 per cent at the $4,500 level, 76 per cent at the $6,000 level—an average of close to 80 per cent, compared to about 48 per cent in 1948. For all practical purposes, these percentages are now pushing their limits.

This leaves only one way the past rate of debt growth can be sustained: Installment debt per debtor must increase much faster than it has increased in the past seven years. This would put an intolerable burden on consumers. Average debt outstanding in the $3,000 to $7,500 income groups is nearly 15 per cent of the debtor's disposable money income. If the debtors in these middle groups were to increase their installment debt outstanding to more than 20 per cent of their disposable income, they would have to be funneling 50 per cent of their disposable income into fixed payments.

For all practical purposes, debt probably will have reached its peak long before fixed payments rise this high. Debt growth, in short, will almost certainly turn down before seven years are up.

But the habit of taking on more debt is one of the economic forces that do not readily slow down of their own accord, and it would be naive to underestimate the possibility that debt could continue to mount precipitously in 1957 and 1958. More and more consumers, prodded by their endless wants as well as by easier terms, could postpone maturities further and further, push the average indebtedness closer to the maximum, and finally hock themselves to capacity to consolidate their debts. All of a sudden, so to speak, the day would come when a significant body of debtors would find themselves boxed in by their own fixed payments, unable to respond to the lure of relaxed terms — indeed to any lures. The credit binge would come to an end,

and the industries depending on it would be hard hit.

If debt should pick up and take off again in 1957, some kind of braking action might be necessary. Meantime, as the President's Economic Report has recommended, both Congress and the Council of Economic Advisers would do well to keep watch on the nation's phenomenal urge to borrow.

—GILBERT BURCK and SANFORD PARKER. *Fortune*, March, 1956, p. 99:10.

Employing Workers' Relatives—A Survey of Company Practices

POLICIES ON EMPLOYMENT of relatives vary greatly among companies, according to a study recently made by the Dartnell Corporation of the practices of 40 representative companies.

The percentage of related workers within a company ranged from less than 2 to more than 60 per cent among the respondents. The average among the group was 11 per cent.

A fixed company policy on the employment of relatives is maintained by almost half of the firms surveyed; 18 companies allow the department head to determine policy here, while 13 do not. A number reported each case is handled individually either by the department head, the personnel department, or by both.

Husband-and-wife combinations are restricted to separate departments by 29 of the reporting companies. While the others stated they have no definite policy, they prefer keeping husbands and wives separated on the job; only three companies saw no harm in their working in the same department. Other relatives are hired with a similar degree of discretion. Over two-thirds of the companies reported that they separate them as part of established company policy, while one-third allow flexibility in handling individual cases.

The responding companies agreed that pre-selection procedures should be applied to all, whether they are relatives of present employees or not, and that this policy should be thoroughly publicized, thus eliminating disappointment or resentment among employees whose relatives are not hired.

While none of the companies surveyed indicated that employment of relatives is a major problem, it is often an irritating factor that affects other areas of personnel administration. The survey makes it quite clear that a company with a definite policy here, whether favorable to such employment or not, generally has less of a problem to face than the company without any established policy.

AMA SPECIAL MANUFACTURING-PACKAGING CONFERENCE

A Special AMA Manufacturing-Packaging Conference will be held Monday through Wednesday, June 11-13, at the Hotel Statler, New York.

New Facts on Company Pension Plans

THE AVERAGE PENSION of a retired employee with 30 years' service and annual earnings of $3,600 is $78 per month. If the maximum Social Security benefit of $98.50 is added, his retirement income is $2,118 per year, or almost 60 per cent of his average annual earnings. For a 30-year employee with a "career" salary averaging $6,000 per year, the average pension is $152. When the Social Security benefit of $108.50 is added, this employee receives $3,126 annually, or 52 per cent of his average earnings.

These are some of the findings of an analysis recently completed by the National Industrial Conference Board of 120 company pension plans.

Some of the general relationships found among the 120 plans were:

1. The contributory plans generally provided larger retirement benefits than non-contributory ones, and non-bargained plans paid larger benefits than bargained plans.
2. Non-manufacturing companies provided larger benefits than manufacturing ones, under bargained and unilateral plans and under contributory and non-contributory plans.
3. There was no correlation between size of the company and amount of benefits paid.
4. Plans deducting Social Security benefits from pensions as part of the basic formula paid smaller company benefits than non-deductible ones.
5. Plans varying benefits according to earnings provided larger benefits than those giving a flat amount regardless of earnings, under contributory and non-contributory plans alike.
6. Among plans increasing benefits as earnings increased, those applying a "graduated" percentage to each salary level paid larger benefits than those applying a "uniform" percentage to each salary level.

Joblessness and Family Status—A Case Study

AN UNEMPLOYED worker with dependents tends to find a new job more rapidly than one without dependents, according to a study made by the Commerce and Industry Association of New York, Inc. of the re-employment experience of the 1,874 employees of the Alexander Smith Co., after it permanently closed its factory at Yonkers, N. Y. in 1954.

Workers with three children experienced an average of 11.8 weeks of unemployment; those with no dependents, 21.3 jobless weeks. Of the 303 workers who drew no unemployment benefits (indicating that they found other employment immediately), 70 per cent were married men, most of whom had dependents. On the other hand, only 9.5 per cent of the single men filed no claim for unemployment insurance benefits. But more than half of the married women and 40 per cent of the unmarried collected insurance benefits for the full 26 weeks. Only 9.4 per cent of the married women and 12.1 per cent of the single women did not file claims.

As expected, age proved to be a factor in the length of unemploy-

ment experienced by these workers. The average duration of benefits rose progressively with each successive age group, the study showed. Almost half of the employees 60 years or older received benefit payments for the full 26 weeks. The duration of benefits in the 50-59 age group was 19.2 weeks; in the 40-49 group, 16.4 weeks; in the 30-39 group, 14.1 weeks; and in the under 25 group, 12.5 weeks.

—*Industrial Relations News* 2/25/56

What's Wrong with Point-of-Purchase Sales Aids?

WHY DO expensive sales aids created by manufacturers for retailers so often land in the trashcan? In a nutshell, the answer is insufficient retail appeal, according to Edward F. Engle, manager of the sales promotion division, National Retail Dry Goods Association. He reports, on the basis of a NRDGA survey, that only a few retailers regularly use manufacturers' sales materials.

Thirteen of the stores polled use mats regularly; 17 per cent never use them. Sixty per cent never use manufacturers' radio scripts; 30 per cent never use press releases, or reprints of national ads, or easel displays. Stuffers—small ads or booklets a store can send out with its monthly bills—fare best. Only 2 per cent never use them, though 85 per cent use them only occasionally.

Mr. Engle offered the following 10 suggestions for manufacturers and their ad agencies, in preparing point-of-purchase sales materials:

1. Use the "retail slant."
2. Make your retail helps flexible.
3. Give stores facts about merchandise.
4. Provide sales-training material, which gives every other promotional aid power at the point of sale.
5. Furnish good art work or photographs—and don't spoil a fine picture by surprinting your brand name on it.
6. Design retail advertising to look like store advertising—simple, straightforward, and packed with selling facts and consumer benefits.
7. Produce mailing pieces with a retail flair, and leave good position and adequate space for the store's name.
8. Create display material and ideas which are practical; "spectaculars" require too much time, effort, and expense.
9. Send promotional material early enough to be useful in store planning.
10. Route the material to the right person in the store.

BAD WEATHER DISPENSATION: During periods of extreme bad weather, Otis Elevator Co. (New York, N. Y.), reviews the tardiness of its hourly people, and if the excuses are legitimate, no penalty is applied for time lost. Bigelow-Sanford Carpet Company (New York, N. Y.) uses another technique: It tabulates the latenesses of its workers and comes up with an average figure allowance for everyone. Employees arriving late within the set time limit are paid; those arriving after the "witching hour" are docked.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.) No. 443

What You Can Do About Price-Cutting

MANY SALESMEN have heard the remark, "Sure, you fellows have good stuff, but I can get just as good elsewhere—and at a better price." That objection is hard to answer, so a good way to meet it is to take the offensive and prevent it. For price-cutting is a serious thing. At best, it provides only temporary relief, and sometimes not even that if a price war results. At worst, it can upset the basic economy of the producer, middleman, and user.

There are those who resort to cutting from list prices almost without any clear-cut reason, of course. Others can give apparently excellent and valid reasons for reductions: to maintain production, reducing excess stock, trying to break into the market, trying to meet competitive situations, etc.

But fundamentally, price-cutting is an admission that the sales department cannot meet and sell in a competitive market. It may be caused by a lack of proper sales coverage or lack of product knowledge. The salesman may not have a basic understanding of his company's product or of his firm's reliability, technical facilities, or other services which would benefit the customer.

In a word, the salesman needs better training. Better sales management, not price-cutting, is the answer. Here are some practical suggestions:

1. Don't accept rumor. If a sales manager is on his toes, he will investigate all reports of weakness in pricing. He can ask for a "lost order report" from his salesmen on each order over a certain number of dollars. When reports come in stating "order lost—price reduction," he can find out the circumstances and the amount of the alleged price reduction. Unless a man has actually witnessed the price reduction or knows the buyer well enough to be absolutely certain about the reduction, this should not be accepted as a valid reason for losing an order.

2. Let your salesmen know what it costs to produce your product and what your actual selling expenses are. Be sure everyone is well aware of what the annual sales goals are in his region.

3. Capitalize on the company name. A reputable company has a distinct advantage. People feel safer when they have confidence in a company, and know its product and its reliability.

4. Capitalize on some of the sales expense that goes into the product. The foremost companies have excellent advertising, technical help, and all-around knowledge to back up their product. In addition, the average top-grade company has innumerable other intangibles to offer a good customer. These are all good selling points.

5. Don't be penny-wise and pound-foolish. Why worry about the 3 to 5 per cent of the accounts that might want price-cutting if 95 to 97 per cent of your accounts are buying the product on the line? Is it good business practice to shave prices for the small number to get this additional business? Isn't this being completely unreasonable and unfair to your other customers? When you fall prey to

this sort of maneuvering, there can be only one result: a slow softening of the market.

6. A front-line company should stick to its published price. If all companies would adhere to their cost-related prices, sell purely on the merits of their product, their technical knowledge, their availability, and all the factors in their favor, more profitable business would result. Prices are usually lowered because of inferior quality, or because the product has been over-priced in the first place. And cutting prices leads to such assumptions in the mind of the buyer, and may lead to loss of additional orders later on.

An on-its-toes sales department is the greatest asset you can have in combating the pricing situation. If each salesman fights his own battles and is backed by management, much of the price situation can be overcome. Top management must be ready to support its sales department in the well-defined situations where certain prices are out of line. And sales managers owe it to their company, their salesmen, and to themselves to keep their salesmen informed of company quotas, sales costs, services, and product quality. A thorough knowledge of each of these factors will help create a desire to sell (at a reasonable profit) to the large group of good customers which does not insist on price-cutting as a requirement of the sale.

—W. R. Staples. *Sales Management*, March 1, 1956, p. 76:2.

For the Specialist . . .

Flexible Costing for Pension Plans

When the management group of a medium-sized company begins to think of pensions, what follows? Some, perhaps, will seek professional guidance and engage the services of a pension consulting organization. More often, or so it seems, a member of the board or a top executive will be asked to investigate pension possibilities within a given range of cost.

It is taken for granted that a pension plan has a definite cost. This is true in an over-all sense. Very likely, it is further assumed that the fixed nature of the benefit program produces a fixed annual cost commitment. This is a misconception which possibly has caused some firms to adopt a needlessly low scale of benefits or to shelve the project completely for a period of time.

Pension amounts are generally based on salary and employment, since these, in round measure, approximate an individual's worth to the concern.

Very often at the start of a plan the people who are most valuable have already put in many years of service and are earning substantial salaries. Since benefits will be based on total employment, the pension plan inherits, so to speak, a liability for services ren-

dered prior to its inception. This "past service liability" is usually calculated as a separate cost item. There is in addition, of course, a "normal cost" element attributable to pension benefits which will be earned after the plan is in operation.

The Treasury regulations governing pension contributions permit a great deal of latitude in the handling of past service costs. A company may, if it chooses, pay off its entire past service liability within 11 years and still take a full tax deduction for the amounts so paid. On the other hand, it may if it chooses do nothing at all about paying for past service other than to meet the interest on the initial past service liability.

The variation between these extremes can be surprising if the past service liability is large, and it very often is. In some cases, there may be a variation of more than 100 per cent in the annual contribution allowable within the tax regulations.

This single factor lends a considerable degree of flexibility to the financing of a pension program, but it is only a beginning.

It is generally considered sound procedure for a company to undertake the "amortization" of past service costs according to a long-range plan. For example, a company may decide to amortize such costs over 20 years, or 25 years, or perhaps over as much as a 40-year period. Such a decision is essentially an expression of general intention, and not the rigorous commitment that is perhaps implied by the word amortization. In practice, a company will probably salt away the maximum in the good years and as little as possible in the lean. "As little as possible" can mean no payments at all for a year or more under certain circumstances.

The fact that Treasury regulations require, as a minimum, that the unfunded past service liability be kept from growing beyond its initial amount means—in effect—that if a company has paid off a sizeable portion of its past service cost, it may be permitted to suspend contributions for a period of time simply by applying the amounts previously contributed for past service toward the cost of current benefits.

Assuming that the suspension of contributions is due to a genuine business necessity, and that such suspension will not tend to discriminate in favor of the higher paid employees, this is a valid procedure. Even though a suspension is not a matter to be taken lightly, it is important to realize that this extreme degree of flexibility may be available after the plan has been in effect for a few years.

There are other ways of meeting current cost payments in lean years. Trusteed or self-insured pension plans are often valued on the "book value" method, whereby common stocks are carried on the books of the plant at cost. Because stocks are purched primarily for their greater earning potential, this method ignores fluctuation of market price and produces stable funding requirements.

Stocks purchased several years ago for their attractive yields have, in many instances, shown a considerable degree of capital appreciation, but because the book value method has been used, such changes are not reflected in the assets of the pension trust. This

suggests the possibility of meeting all or some part of a year's current costs through the sale of stocks, assuming that they can be replaced by new purchases of similar quality and yield.

Capital gains thus taken become a permanent part of the plan and assume equal standing with amounts provided through company contributions. This device has the merit of meeting current costs without borrowing against previous past service contributions. It has found favor not only among companies whose earnings have fallen off, but also among others who could use a lump sum cash amount for plant expansion, the modernization of processes, or the maturity of company obligations.

In general, the point is that earnings which may be cyclical in nature can often provide a sound basis for a pension plan, if the financing is undertaken with a knowledge of underlying principles. But it is certainly not true that pension financing is infinitely elastic, or that cost calculations have no fundamental significance. For a specific plan of benefits, a reduction in over-all cost can be effected only by an increase in the amount of interest earned on the reserves, or through a reduction in the costs incurred in maintaining the plan. From the long-range point of view, any substantial reduction of cost can only result from a change in the rules for eligibility, a change in the distribution formula, or from some other modification of a fundamental order. Since by their nature, all of these involve a reduction of benefits, such changes are difficult once a plan is in effect.

Incidentally, a more rapid amortization of the past service, and more conservative assumptions, will reduce the total cash outlay required to support a plan. Thus, when a company suspends or reduces contributions for a time, there is a slight increase in over-all cost; however, the practical advantage of such a privilege may easily outweigh the minor cost element involved.

—IRVING A. MCDOUGALL. *Management Methods*, March, 1956, p. 18:5.

MANAGERS, officials, and non-farm proprietors put in longer hours on their job than virtually any other group, according to a Census Bureau report on the average hours worked in various occupations during October, 1955. Their work week averaged over 50 hours. Farmers and farm managers were the only other group with a work week of over 50 hours. Craftsmen, foremen, operatives, and clerical workers all averaged less than 43 hours, while private household workers enjoyed the shortest work week, averaging 30.3 hours.

—*Economic Intelligence* 3/56

AMA PACKAGING CONFERENCE

The AMA National Packaging Conference and Exposition will be held Monday through Wednesday, April 9-11, at Convention Hall, Atlantic City, N. J.

What the Salesman Wants of Sales Management

TEN POINTS for good sales management were outlined at a recent meeting of the New York Sales Executives Club by salesman Frank Allen of Chas. Pfizer & Co.:

1. Sales executives should get out into the field often and become familiar with problems and trends there.
2. Salesmen should be given opportunity to discuss matters with management; to meet frequently and exchange ideas and suggestions with management and fellow salesmen alike.
3. Management should support salesmen in their dealings with prospects. It should know what its salesmen are doing in the field and keep them informed of all relevant policy decisions.
4. There should be less paperwork to distract the salesman from his main job of selling.
5. Salesmen want competent personnel in the home office—people who can be pleasant to customers and give quick service on orders and memos.
6. Promotional drives should be practical and useful in spurring sales efforts. These programs should be aimed at furnishing salesmen with a more effective approach to use when calling on prospects and customers.
7. Sales contests should offer worthwhile prizes.
8. Management should show a proper understanding of the salesman's job, and compensate success.
9. To grow with the company, salesmen should be given realistic, practical training programs in effective selling as part of the regional and district meetings.
10. Management should issue policies by written directive. Verbal instructions result in confusion, particularly on prices and discounts.

—*National Sales Executives Digest* 12/55

Purchasing's Status and Function—A Survey

SOME COMPANIES are missing out on the full benefits of good purchasing because buyers have not been given scope to do a complete job, according to a recent survey of company purchasing officers, conducted by *Purchasing* magazine. The major findings:

1. Fifty-nine per cent of the purchasing men queried consider themselves well enough staffed to carry on an adequate program of purchasing, including research, negotiation, follow-up, and delegation of routine details, though 22 per cent of these feel their staff too small to engage in much research. The remaining 41 per cent think they are understaffed.

2. In 71 per cent of the companies surveyed the title of the chief purchasing officer is Purchasing Agent; in 11 per cent, Director of Purchases; in 7 per cent, Vice President—Purchasing; and in 6 per cent, Manager of Purchases.

3. Purchasing men most often (31 per cent) report to the president, but almost as many (29 per cent) report to vice presidents. One-fourth report to other company officials—12 per cent to the general manager, 8 per cent to the treasurer, and 6 per cent to the plant manager.

4. Over two-thirds of these purchasing men report that the status of the purchasing function, relative to other major departments (e.g., engineering, manufacturing, etc.), is independent and equal.

5. A substantial majority have a voice in managerial decisions on specifications, selection of substitute materials and processes, standards, capital equipment purchases, and make-or-buy proposals.

6. Twenty-two per cent of the firms surveyed have an official written statement of purchasing policy; 76 per cent do not.

7. Fifty-six per cent of the respondents make regular reports on purchasing activities to management. Almost half of such reports are on a monthly basis; 15 per cent are submitted weekly, 11 per cent annually, and 10 per cent quarterly. Regular reports are not made by 44 per cent.

What's Happening to the Work Week

ONE HOUR of labor counts for a great deal more now in the national economy than it did a few years ago. When the average work week in manufacturing passed 41 hours last October, for the first time since the spring of 1953, it measured a big rise in labor's earnings. It has been estimated that the increase in the work week in one year, from October 1954 to October 1955, amounting to a bit more than an hour, added more than $12 billion a year to labor income.

In manufacturing industries the work week did not break any records last year. By the end of the year, average weekly hours per worker in industry stood at about the same point as at the end of 1951 and the beginning of 1953. The monthly average for 1955 was 40.6 hours.

More significant factors for the coming year than the decline in overtime work predicted by many forecasters are the high hourly wage rates in manufacturing and the high level of non-agricultural employment, running well above 50.6 million workers.

Even if average weekly hours should drop below 41 for part of this year, the payroll total would probably still remain far above the average of the last five years. In 1955 alone, the payroll index for manufacturing showed a gain of more than 16 per cent. That remarkable rise is a measure not only of a longer work week and higher wage rates, but of the record number of employees in industry.

—*The Biddle Survey* (Biddle Purchasing Co., New York) 1/17/56

SAFETY FIRST—OR SIXTY-FOURTH? A study recently made by the State Farm Mutual Insurance Co. of the accident experience of its 4 million policyholders indicated that, among all occupational groups, managers and proprietors of wholesale businesses are the safest drivers. Of the 64 job groupings tabulated, managers and owners of manufacturing companies ranked thirteenth; managers and owners of retail businesses, fifteenth; managers, proprietors, and officials (not otherwise classified), twenty-fourth; salesmen, forty-eighth; and traveling salesmen, fifty-eighth.

—*American Business* 2/56

The New Challenge to Management Communications

MANAGEMENT is a sitting duck. This is the humorless conclusion being reached by representatives of industry and business from coast to coast since the AFL and the CIO marched down the aisle together.

Company executives today may differ in their reactions to the merger, but they acknowledge that management today is a prime target. And they concede that in the contest for the workingman's favor, the unions have walked off with the prize.

What's to be done about it? There is no quick answer and no simple solution. A few months ago, however, Stanley H. Hobson, president of the Geo. D. Roper Corp. of Rockford, Ill., put the spotlight on some of management's infirmities, cataloguing what he described as the "seven sins of management." Here, in essence, is Mr. Hobson's summary:

1. Management is paying for its size; the man-to-man relationship between boss and employee has been diluted, enabling a third element—the unions—to move in.

2. Management "talks" good employee relations, but the guy in the plant will tell you that the good relations exist only in management's mind.

3. Management has failed in its allocation of responsibility for people. The personnel official often finds himself boxed in by outdated policies and needless protocol, while the supervisor frequently finds himself operating in a communications vacuum.

4. Management has made the mistake of underestimating the strength and persuasive abilities of labor.

5. Management for years has clung to a policy of paternalism despite the modern working man's dislike of being considered "little people."

6. Management has talked economics generally but not locally.

7. Management has consistently failed to satisfy the normal, healthy curiosities of employees about the business of the company.

These, beyond any doubt, are serious indictments. But it would be well for management to face the facts squarely.

Management's biggest and most important job is therefore to re-establish respect for management. And this invites a new management attitude that views the problem not as a last-ditch fight between labor and management, but as an effort to establish a workable arrangement between two groups in which neither dominates.

There's no simple cure for management's new, perplexing problem. But here are a few helpful do-it-yourself exercises.

First, make a new determination to "get along" with the bargaining unit. The relationship of company and union can stand a review, and a review may readily disclose that the union hasn't been shouting without some justification. The trouble may lie at a management level, rather than somewhere in the shop.

Second, look over your company's communication structure. How effec-

tive is your present program? What are you failing to do that you might do? Are you giving employees the full opportunity to talk with management?

Third, build and utilize a checklist of modern communication devices. Oral devices: executive level conferences; mid-management meetings; regular supervisory meetings; group employee confabs and individual sessions with employees; oral annual and interim reports; departmental sessions. Written devices: the newsletter for employees; the newsletter for supervisors; plant and office bulletin boards; published annual and interim reports; the payroll envelope insert; and allied devices such as the industrial moving picture, slide film, and other audio-visual media.

Fourth, determine to get your viewpoints across to the public. This all involves better, firmer relations with the press, radio, and TV outlets; it involves a new, more sincere and devoted sense of neighborliness.

Fifth, get yourself politically alerted. The dreamers on the fence, viewing the AFL-CIO merger, discount the persuasive powers of organized labor at the polls. They comfort themselves with the belief that the union member votes his own mind. This is an absurd consolation. The political machinery of the two unions will have at least twice the efficiency from here on. To hold its own, to keep from losing ground, management for the first time must out-communicate the opposition. It must do a greater job in selling itself, explaining and interpreting its viewpoint, and converting the dubious and the cynical than it has ever done.

—ROBERT NEWCOMB and MARG SAMMONS. *Mill & Factory,* March, 1956, p. 79:6.

Hiring Older Workers: The Pension and Insurance "Barriers"

ONE OBSTACLE to the employment of older workers is the belief of some employers that hiring them will result in higher pension and insurance costs.

So far as workmen's compensation is concerned, there is no basis for this belief; the rates are based not on age but on actual experience with the frequency and severity of industrial accidents and diseases. The evidence points to a decline of accident frequency with age, which more than offsets any increase in the period of disability.

Higher costs for older workers might be expected in group accident and health insurance; age obviously has a relationship to the incidence of illness. Yet insurance companies do not calculate group accident and health premiums on age distribution within the group, perhaps because studies of manufacturing industries show little variation in absenteeism because of illness. Though duration of absence for illness tends to be longer for older workers, absence for other reasons is significantly less. Other off-

sets are the lower costs for benefits to dependents (older workers have fewer) and, for women workers, the elimination of a maternity hazard.

The cost of group life insurance, on the other hand, is directly related to the ages of the members of the group. The differences in cost to the employer are, however, too small to affect any logical decision to hire or reject an older worker. The gross cost of providing $3,000 of group life to an employee 50 years of age is approximately $2.25 a month, or less than 2 cents an hour more than the cost for an employee age 30. This cost is reduced by the worker's contributions, if any; by dividends to the employer; and by tax deductibility.

The question of hiring an older worker when there is an established pension plan is not so easily dismissed. If the pension plan is calculated to pay certain flat amounts upon retirement, consideration must be given to the necessity of having on hand, at age 65, about $1,600 for each $10 of monthly life income promised. Obviously, the older the worker the less time there is available in which to set aside this amount.

Many pension plans, however, vary the benefits with years of service. Some plans exclude short-service workers; in others the benefits are based on company pension less Social Security, and the company pension for short-service workers is completely or largely offset by the Social Security benefit. In these ways, pension plan formulas have been adjusted so that hiring of older workers does not place an undue burden upon employers.

A second problem is to assure the financial strength of pension plans. Presumably this is not a problem for the insured plans; but 60 per cent of the workers in private plans are not so protected. No state or federal law regulates the actuarial operation of self-insured plans or their investment of funds. The absence of regulation emphasizes the responsibility of management and labor to look to the soundness of the benefit systems they establish.

An additional factor is the increasing attention being given to early vesting of rights in order to permit mobility within an area or within an industry. This probably will mean higher net costs; also, it may reduce the reluctance of some employers to hire older workers.

Disability programs are generally associated with, or actually integrated into, the old-age retirement program on the assumption that the disabled employee's working life is over, that he is, to all intents and purposes, a superannuated employee. This assumption is bad psychologically, because the individual, properly encouraged, may make a recovery and be able to resume productive employment. Moreover, its effect is to exert pressure on the pension system to lower the retirement age. This pressure is not necessarily consistent with sound pension planning. It may weaken the benefit structure for those whose retirement is in fact due to advanced age rather than to disability in the normal working years.

Again, tying benefits for prolonged disability to pensions has had the effect of restricting benefits to those meeting high requirements of length of employment and of age—requirements which have little relation to the need

for protection against the consequences of prolonged disability.

It is generally accepted that older people have greater need for insurance against the costs of hospitalization and medical care. This risk can be met most surely and economically during the working life of the individual. This suggests that group hospitalization and medical care contracts should provide sufficient premium income related to the currently employed to permit funding of the costs of such protection for those of the group who retire.

Notable progress has been made in extending life insurance protection to individuals who retire after a period of coverage. The problem of cost is being tackled by (1) reducing the value of the protection—in which case the employer is likely to bear the entire cost of the insurance—or (2) requiring an employee contribution.

Economic protection for older workers is still in the process of development. Increasing costs seem inevitable. It is not suggested that these costs will be beyond what industry can bear; but the way in which they are met can affect their impact. This means that, generally speaking, ways must be sought to finance the cost of benefits for retired workers during the worker's productive life, not after retirement.

The cost of pensions and insurance for older workers will be easiest borne under conditions of full employment and in a society that has no place for arbitrary discrimination against older workers.

—William H. Wandel (Associate Director of Research, Farm Bureau Insurance Companies) in *Earning Opportunities for Older Workers*. University of Michigan Press, Ann Arbor, 1955. 286 pages. $4.50.

Seven Keys to Sales Success

WHAT DO SUCCESSFUL salesmen regard as the essentials of sales performance? To answer this question, the Research Institute of America surveyed 61 representative top salesmen, all winners of the National Sales Executives' "Distinguished Salesmen Award." Here, as reported in *The American Salesman*, are the seven most vital keys to successful selling, listed in order of importance assigned them by the respondents:

1. **Training in selling techniques.**
2. **Advance planning of daily sales activities.**
3. **Product knowledge.**
4. **"A value story" to meet price competition.**
5. **A well-planned closing technique.**
6. **A better understanding of behavior motivations and insight into factors influencing buyers' decisions.**
7. **Efficient organization of sales records and paperwork.**

Nearly all of those surveyed depended mainly on their own companies as the principal source for information on conditions affecting selling—trends in industry, new markets, shifts in purchasing personnel, activities of competitors, etc. Trade and industry publications were the next most important source, followed by general business publications, and contacts with other salesmen.

A Company President Looks at Public Relations

Typically, a company president is a layman and a professional in the field of public relations: a layman in the sense that he can't pretend to have a detailed knowledge of techniques, theory, and general practice; a professional in the sense that the public relations of his company is one of his main responsibilities.

Many more companies employ or retain professional public relations people today than was the case even five or ten years ago, and there are few signs that this upward trend is slowing down or has reached a crest. Furthermore, company public relations departments have tended to grow, once established. This, I think, is a compliment to the public relations function. In addition, management has found more and more tasks for the public relations department to do.

These trends are only the outward signs of an important inner development. This development is, very simply, the widespread understanding and acceptance of public relations concepts and viewpoints by top management. This does not mean that every public relations project or every public relations budget is approved without question—that has never been true of any phase of a business. But it does mean that a basic change has taken place in the character and nature of public relations work.

I remember the first small beginnings of the public relations function in our company, almost 40 years ago. The management attitude then was essentially: "What do we have to do to keep this out of the papers?" The change in our attitude since then—an attitude now based on candor and a recognition of the public's right to know—has almost to be measured in light-years.

But we don't have to go back to the Dark Ages to see the change. Fifteen years ago, 10 years ago, perhaps even five years ago, there were still a lot of men in management who knew very little about public relations, or, if they had some understanding, didn't think it was very important. But such executives are rare these days. Top management people now think about their problems in terms of public relations just as naturally as in terms of finance or tooling or industrial relations or materials.

Public relations people no longer spend any great part of their time worrying about, or trying to prevent, public relations mistakes by operating management. We make some, of course, management being human. But the problem is relatively minor, and it will grow less important all the time.

Public relations attitudes and ideas and competent public relations people are now present in key positions in business. Familiarity with these concepts, and personal experience in public relations projects and the solving of public relations problems come to our management people now rather early in their careers. In the future, the men who rise to the top positions are bound to be men already schooled in these matters.

In short, most companies now accept

public relations as a vital and important part of their activities. The missionary days are largely over.

The increasing public relations consciousness of management may be illustrated in many ways. To pick one at random, there is the remarkable growth in corporate giving for welfare, educational, and charitable purposes. The idea of the community responsibility of industry has been so solidly accepted that we never think of questioning it. Our thought is given to such questions as where our obligations are greatest, how much we can afford for a particular purpose, and similar problems. Many companies have written policies on contributions and have standing contributions committees of management on which public relations is represented. Another example is the quiet leadership of many companies in eliminating racial and other discrimination in employment. This, too, was acceptance of a social responsibility. It has been aided, but not initiated, by the government. A number of us were working effectively in that field before the government showed any real interest in the subject.

We consider these activities normal, but they are a far cry from 1935, and are almost as big a departure from the general habits prevailing even as late as 1945.

If top management has generally accepted and begun to act in keeping with fundamental public relations principles, what does it mean to the public relations people themselves? Can business get along, in future, without professionals? Are public relations men in the position of firemen after the blaze is out? I don't think so. On the contrary, the public relations job is just getting well under way. Much has been accomplished, but far more remains to be done. New problems keep coming along, and the answers that worked in 1955 are not likely to be the perfect answers to the problems of 1957 and 1958.

—JOHN L. MCCAFFREY (President, International Harvester Co.). *Public Relations Journal*, February, 1956, p. 3:3.

New Frontiers for Installment Credit

FOR BETTER OR WORSE, marketers in more and more product fields depend increasingly on credit for successful selling. In the past few years credit schemes have appeared to help sell travel, meals, soft goods, home decorating, and leisure-time equipment—such as power tools, sporting goods, and photographic supplies.

The reasons for the credit overflow are threefold: The consumer, despite his increased income, apparently finds it hard to satisfy his wants today on a strictly cash basis. Second, he seems to buy when credit is available. Third, and perhaps the most important of all, as one company or product field extends credit, others follow the trend. Thus business competes more and more not only in product, but in service or convenience.

To what extent the spread of in-

stallment credit into new fields helps sustain the economy is difficult to judge. Nor can anyone say how much these new areas of credit selling contribute to the enormous sum of the credit dollars outstanding. It may be, of course, that current installment debt is not as frightening as it once seemed, simply because it is spreading over an ever-widening area of consumer purchases.

Some major oil companies issued credit cards as early as the 1920's, but the cards did little to generate more sales until after World War II, when automobile ownership began to increase rapidly. One major oil company, for example, figures that credit cards account for 15 per cent of its retail sales today.

Consumers now spend about $10 billion a year on foreign and domestic travel, and credit accounts for a small but steadily growing portion of it. Charge account travel is now invading the mass, or tourist-class, travel market. In 1934, American Airlines started an air travel credit-card plan. Other major air carriers soon joined the scheme. Total billings under the plan (mostly first-class) were well above $350 million last year, 20 per cent above the 1953 mark. Early in 1954, Pan American World Airways started a "go now, pay later" plan, which allows travelers to pay 10 per cent down and take as long as 20 months to pay the balance. Since then domestic air carriers have followed suit and found credit a healthy sales-generating force.

These credit plans help boost sales for the entire travel business, not just the air carrier. The "go now, pay later" plan, for example, will sell package vacations including fare, hotel, sightseeing, meals, etc. Air travel credit cards are honored at many hotels, and can be used by business travelers for car rentals. Complete vacations are offered on credit ranging from $300 to $5,000, depending on ability to pay.

The nation's railroads last fall revived the short-lived rail travel credit card introduced unsuccessfully in 1947. In the hope of reviving dwindling passenger traffic, 43 of the nation's 75 major roads have joined the plan. No deposit is required for the card, and railroad members will charge any amount of service, including food and liquor as well as fares.

By far the most significant moves in credit selling, however, are happening in the retail marketplace—not only in the large metropolitan department stores and their suburban branches, but in small specialty shops, hardware dealers, and vendors of leisure time equipment such as sporting goods and photographic supplies. Large department stores, of course, have long recognized credit as a marketing aid, but it's just beginning to make real inroads among small retail stores. More intriguing, perhaps, is a new idea gaining wider acceptance among large retailers — the long-term revolving charge account, sometimes called a continuous line of credit, with time limits of a year or more. Some stores are devising a revolving charge account plan with monthly payments geared to the outstanding balance of the account.

In blossoming suburbia, where do-it-yourself is now an institution, hardware dealers selling such items as power tools and saws do a thriving business (sales last year were close

to $3 billion). To compete more effectively with large mail-order houses, especially in farm areas, the National Retail Hardware Association is urging small dealers to try credit selling. The association thinks more extensive use of credit could boost hardware sales 25 per cent above present levels.

As credit managers see it, today a consumer can finance anything. And as he does, credit becomes more agreeable to more and more businesses.

And if the proof of the pudding is in the eating, the future looks bright enough. In the first year of operation, Pan American World Airways had 100 per cent repayment under its "go now, pay later" plan (with no collateral required). TWA says defaults under its travel credit plan are "quite low." The National Retail Hardware Association reports that no member who previously extended credit has had to write off an account since 1938.

—*Tide*, January 28, 1956, p. 17:4.

Outside Education Programs for Employees—A Survey

TUITION-AID plans are being offered by an increasing number of companies, but a survey recently conducted by the National Industrial Conference Board among 166 firms showed that only 5 per cent of the eligible employees were participating in plans offered. The greatest expansion in the use of such programs has occurred during the last five years, one-third of the companies having begun their plans during this period, it was reported. The median yearly cost per participant was $48. But despite the low rate of participation, most of the respondents believed such projects beneficial, since they create reserves of capable manpower and sometimes improve personnel relations.

Other trends pointed up by the survey:

1. The extent of employee participation is partly dependent on the type of plan and how it is linked to promotion from within the company.

2. All respondents extend financial aid for job-related subjects. Less than 24 per cent limit courses to these subjects; 46 per cent permit cultural subjects (i.e. foreign languages); 31 per cent allow subjects leading to college degrees. But very few approve craft studies.

3. About 75 per cent of the companies provide aid for courses offered by colleges and universities; a nearly equal number include courses offered by trade schools, associations, and professional organizations.

4. More than 80 per cent of those companies employing both hourly and salaried employees make their plans available to both groups.

5. In more than 40 per cent of the companies, employees must work a designated period of time before they are eligible for such benefits. Other limitations often imposed are related to type of occupation and approval of the supervisor.

6. The entire cost of courses is paid by nearly 50 per cent of the respondents; nearly 40 per cent pay half the cost; most of the rest determine their share according to the employee's grades in the course.

—*Industrial Relations News* 3/10/56

The Sixteen Jobs of the Safety Supervisor

WHAT ARE the key responsibilities of a company safety director? Here's how the job is analyzed by Roger J. Bear, safety engineer of the Kroger Co. food chain:

1. He must secure the backing of top management to lend authority and significance to his work.
2. He assists the line organization in implementing a thorough safety program through division, branch, and headquarters personnel managers, safety engineers, and warehouse and office safety counselors.
3. He provides and directs distribution and use of visual education material on current safety practices: posters, movies, folders, booklets, mail enclosures, bulletins, and safety manuals where advisable.
4. He organizes and supervises contests for groups and individuals involving safety ratings. He provides safety-record buttons, badges, and gadgets to stimulate interest.
5. He welcomes, analyzes, and makes recommendations on safety suggestions from employees, managers, and executives.
6. Through line authority, he supervises regular inspections of all properties and work performances at every level to locate safety or fire hazards.
7. With the cooperation of line management, he takes steps to have hazardous conditions and work methods corrected and accident "repeaters" removed.
8. With the help of departmental and branch executives, he directs the use of guards and other safety equipment. He sees that the proper number of first-aid kits are on hand in all plants, offices, and warehouses, and that personnel are trained in their use.
9. He keeps essential forms up to date for handling office, warehouse, and plant accidents; and he directs their use through line authority.
10. He assembles and digests accident and fire reports, classifying them by type, causes, and result.
11. He supplies cost and classification reports on accidents to management.
12. He supplies summary reports on safety performance by organization divisions for review and planning of future preventive work.
13. He keeps abreast of local and state safety laws, supplies bulletins on new regulations, and insists on compliance with these laws.
14. He makes safety talks before company and department groups, and when possible cooperates with community groups working on safety problems.
15. He judges branch and division safety contests, and holds inquiries on accidents when questions of responsibility arise.
16. He participates in national and local safety organizations for the exchange and dissemination of safety education material and facts.

—*Chain Store Age* 3/56

THE NUMBER of dependent persons in the population is increasing. For each 100 productive workers in the United States there were 73 dependents in 1955, as compared with 60 dependents in 1940, according to the National Industrial Conference Board. The Board attributes this sharp rise to the high birth rate, coupled with a growth in the proportion of older persons in the population.

—*Commerce* 2/56

The Age of the Expense Account

Today more business people than ever are hearing the two golden words "expense account" applied to them for the first time, as the nation's total expense-account bill soars past the $2 billion mark. Though the practice has long been present in American economic life, its widespread development has come only recently.

At the time of the excess profits levies an underlying thought behind the expense account appeared to be, "If we have to choose between turning a large part of our income over to the Internal Revenue people or using a portion of it to help grease the social wheels of business, let's spend freely—and deduct when taxes are due."

But even when on December 31, 1953, excess profit taxes were abolished, the expense account continued to grow. With a 52 per cent corporation income tax in effect, expense accounts may still contribute significantly to the deductions that can be made against taxable income.

While costs listed by executives and salesmen may be scrutinized more painstakingly by the tax people today than in the past, and though firms may be more reluctant to allow uncontrolled expenditures, the number of companies utilizing liberal expense accounts is still increasing. One of the main reasons for this is that requests for pay hikes are continuing to mount. In an attempt to assuage these demands and, if possible, to offer other incentives which will make smaller salary increases more palatable, the expense account has been employed as a fringe benefit.

Expense accounts are generally of two types. In some firms, executives and salespeople are given a flat allowance which they are entitled to spend. For example, many salesmen on the road receive a check in advance to cover their expected costs. There is a tacit understanding that what is not actually spent on behalf of the company should be returned.

However, a host of doubtful practices has sprung up in the wake of the flat allowance, and instances where travelers on company business have netted a tidy sum on their trips are common. Salesmen and executives have learned to take quarters in shabby hotels and report that they have stopped at the best; and meals with "important clients" that actually never took place are often charged to the firm.

Yet, for the scrupulous but hard-driving business representative on a flat allowance, the money he receives is often barely enough to cover his expenses. One executive on a tour of the Midwest for a textile mill reported recently, "I'm supposed to meet people, take them to swank places, wine them and dine them, and achieve miracles on the minimum given me. More often than not, it just can't be done, no matter how hard I try."

A survey conducted by *Sales Management* magazine found that $28.33 per day was the average needed by executives visiting large cities. In smaller communities, *per diem* costs

for executives averaged $20.76. Salesmen generally required $16.53 if they were to perform the many tasks expected of them. Yet, in many instances, company representatives were not furnished with anything near their needs.

In other instances, the flat allowance often encouraged employees to spend the full amount they received, regardless of whether they actually needed it. The inequities and loopholes of the flat allowance system have, therefore, induced companies to turn to the discretionary expense account. Oddly enough, in the majority of cases where this type of expense account has been instituted, padding has been kept down. Such firms as Sperry Rand and International Business Machines point out that for the most part costs are logical and never overly high. A Sperry Rand employee who is on tour nearly one-third of every year explained one of the reasons for the discretionary account's greater accuracy. "The psychological effect of the 'honor system' plays a very important role. Since we are led to believe that we are being trusted in the matter of expenses, we try to be scrupulously honest."

No matter how liberal they are in the allowances granted their employees, most organizations now maintain systems whereby expenditures may be verified. Such systems range from the spot check to special accounting departments that are concerned with nothing else but the analysis of incoming expense statements.

Other companies have resorted to displaying monthly expense reports in a prominent place, with detailed listings of each traveler's expenditures. The theory behind this system is that when compared with their peers, most employees would rather hold down their expenses than appear to be overcharging.

—*Challenge*, March, 1956, p. 55:4.

Automation and the White-Collar Worker: Fact vs Fantasy

IS OFFICE AUTOMATION a threat to the security of white-collar workers? Walter Reuther thinks it is. And Professor Norbert Wiener, of Massachusetts Institute of Technology, included white-collar workers in his solemn prediction that automation "will create an unemployment situation which will make the 1930's seem like a pleasant joke, because the automatic machine is the precise economic equivalent of slave labor."

The whole history of technological development belies such predictions of doom. One way to get the answer is to go directly to companies and corporations in the United States which, during the past five years, have undertaken "office automation."

The results are conclusive. Based

on actual employment facts, there is no threat to white-collar jobs from either the new systems or new equipment. Actually, in 300 large and medium-sized corporations checked, more people are employed in paperwork or white-collar activities than before the new system or equipment was installed. White-collar employment has increased anywhere from 2 to 10 per cent in these companies.

Despite the evidence of their own experience, many top-management executives are frightened by the white-collar employee relations aspects of automation. The reasons behind their fears are obvious. Employees, despite the evidence before them, are afraid. Leaders of organized labor continue to make fearful predictions, and threaten rapid unionization of office workers as a means "of preventing the loss of millions of jobs to machines."

In a majority of the companies surveyed, the mechanization of various segments of office operation had resulted in the transfer of employees from a routine duty to another activity, generally in the same department and concerned with the same process as formerly. In over 90 per cent of the cases, the employee was performing a higher or more skillful task—one which would result in upgrading in both position and pay.

It is this *displacement* rather than the threat of job security, which is the basic difficulty. Employees with long seniority, or those who have spent the bulk of their working life at one phase of office operation, are afraid of their inability to change. Yet, in many companies which have planned for operations changes involving either systems or equipment installation, or both, this fear has been found almost baseless.

Why do employees fear office automation, then? The reason, evidently, lies not in what has already happened, or is about to happen, but in something more basic. It is a fear that the present economy, with its high level of production and virtual full employment, is only temporary. Too many are still thinking in terms of the disastrous depression of the 1930's and the postwar recessions. Somehow this fear of the whole underlying economy is translated into a fear that any form of automation will result in job layoffs at the first hint of economic trouble.

Actually, there is one area in office automation in which there is trouble. Fearful of what reorganization of office functions may do to their hard-won positions, supervisory officials, in some instances, have been active in opposing further mechanization. Although supervisors are not being demoted or losing rank, in fact office systems reorganization has resulted in some displacements which have caused personality difficulties.

But fear is an emotional process, an unreasoning attitude, and for that reason even the best-planned program of indoctrination and education runs into blind alleys. Converting the lower echelons of management remains our most difficult problem.

In approaching automation management must therefore develop a workable program for relieving the fears of its supervisory employees that they will suffer through loss of status, seniority, or rank. Effective office automation must be grounded upon a well-

oriented, trained, and competent supervisory force. In nearly every successful installation to date, this force has been developed from the supervisory employees already in the company employ. IDP and EDP installations have not required the employment of large numbers of "outside experts." The retraining of current personnel has been found relatively easy and thoroughly practical. The investment has paid big dividends in increased employee security and participation.

Management and employees alike are beginning to realize that office automation is no cure-all, either for systems deficiencies or employee costs. It is evident that the "human factor" in business not only remains, but that both the automated factory and office alike will depend even more upon its human skills and abilities in the future than in the past.

There will be greater opportunities for white-collar workers under the new system, with its new high-speed equipment, than at any time in this century. Relieved of drudgery and purely routine work, the office worker will do an even greater proportion of the "brainwork," and thus become an integrated part of management itself.

—HERBERT O. BRAYER. *American Business*, December, 1955, p. 24:3.

Planning for an Integrated Data-Processing System

TOP MANAGEMENT interest and support is needed even in the initial research phases of planning and installing an integrated data-processing system, according to a recent Controllership Foundation report, which analyzes the experience of the Port of New York Authority in conducting such a system analysis.

The research program was instituted to review the accounting and control requirements involved and establish procedures to assure the most effective use of the new equipment in the system installed. Some basic lessons derived from this research program:

1. Research and planning must have the support of top management, and one or more key executives must acquire a knowledge of basic facts about electronic data processing.

2. The object and scope of the research program must be clearly defined.

3. Responsibility for the program should be established firmly, and adequate authority, staff, and resources assigned.

4. The personnel for basic research and planning should be carefully selected.

5. The program should not move too fast in any specific direction initially.

6. The first objective should be to rephrase the company's accounting needs in terms of processes and data requirements.

7. Requirements should be flexible to give the company a wider range of choice based on the gains expected from the new system.

8. In the pre-installation phase, the experiences of other companies can provide many valid short cuts.

Forced Consumption: Key to Today's Marketing

TWO SPECIAL FEATURES characterize consumption in our economy. The first is what may be called its "forced draft" aspect. Our rate of production requires that the consumer use, destroy, waste, burn things up, discard them at an ever-increasing rate. The second essential is what we might term "expensive consumption." The consumer must not be satisfied with a 12" table-top television set. He must move on to a 17" and a 21" and a 24" set, and it should be a console model; it should have a tape recorder, a phonograph, and an AM-FM radio; in addition, he should be able to sit across the room from the set and shoot light rays at it to change the stations. And in 1956, it must be a color television set.

We face the fact that total industrial production since 1939 has gone up 158 per cent, while total disposable personal income has gone only 87 per cent higher. At the same time the population has risen in the same period by over 23 per cent. While the prices the consumer pays have gone up to 108 per cent since the prewar period, none of the indices that apply to consumer purchasing power show a comparable rise.

It is clear, therefore, that in 1956 the consumer is going to have to go into debt, buy on credit, and pay off on the installment plan at an even higher rate than he does today. Furthermore, this method of financing consumption will have to move into new fields as well. Just as we have seen air travel and vacations being sold on credit so we may see the forthcoming crop of new babies, and perhaps the food they will eat, being financed on credit.

But the larger the proportion of the consumer's income that has to be allotted to meeting payments, the smaller is the slice that is actually "disposable" for daily and impulse purchases. There is a dilemma and a real threat here.

The magazine *Printers' Ink* recently estimated that 93 per cent of television network time is bought by companies spending a million dollars or more for advertising. And, of well over $8 billion spent for advertising of every kind, the national advertisers account for about one third.

In spite of this tremendous barrage directed against the consumer, the advertisers are faced with the problem of uncertain brand loyalty and changing consumer habits.

The disruption of the retail picture brought about by the activities of the discount house has started a ferment which may, in time, bring other retailers to the fore who can operate on even lower markups than discount houses if they carry no inventory, make no deliveries, take no responsibility for servicing, but have the traffic and display space with which to attract orders. This development, when it comes, will involve the heavily advertised products of big enterprises.

In coming months the moderate-sized, independent producer will be coming up against the massive competition of more and larger merged companies. With the danger of mounting inventories that will overhang the

whole year ahead, this is surely a time for fresh thinking, imagination, and creative ingenuity.

The largest share of the costs of distribution is represented by retail markups. That is why the assault on retail markups which started in 1948 reached such a peak of ferocity during 1955.

This double squeeze, the mortgaging of the consumer's future income on one hand and the erosion of retail profits on the other, will become a real bear hug in 1956. The very pressures that are exerted to create the "forced consumption" our economy demands must operate also against the survival of any channel of distribution that threatens to be a bottleneck or an impediment to the surge of ever greater floods of commodities and services.

The traditional policy of the fixed and uniform markup on mass-distributed items might be called "Maginot Line" merchandising. And like that highly touted "impregnable fortress" of the French General Staff, this policy is subject to break-through, outflanking, and encirclement by more flexible retail operations.

If "fair trade" collapses altogether in 1956, which it well may after the blows it suffered in 1955, then we shall see vast changes in retail distribution. Many lines of retail business have existed only because they had the artificial support of fixed prices. And the plain fact is that fixed prices and mass consumption are basically antagonistic policies. It is one thing to distribute on a restricted or exclusive basis to franchised stores and reduce competition by reducing the number of competitive outlets. Then the price structure can be maintained. But it is quite another thing to distribute on a widespread or universal pattern, expect the highest possible rate of consumption, and then restrict that potential consumption by keeping prices up to some traditional markup and preventing them from seeking a competitive level.

—Victor Lebow. *Journal of Retailing*, Winter, 1955-1956, p. 166:9.

Job Enlargement Can Pay Off

In these days of automation and assembly lines, some people are thinking in terms of "job enlargement"—giving the worker more responsibility, getting him away from monotonous, repetitive operations.

Its advocates claim job enlargement can result in: (1) important money savings; (2) greater work efficiency; and (3) greater employee interest in his job.

One type of job enlargement—typified by the set-up at IBM's Poughkeepsie, N.Y., plant—involves increasing responsibility. The key man in the production setup is the "manager." He is comparable to a foreman and is in charge of the smallest production subdivision. But his job has been enlarged so that he is more like the manager of a small business.

IBM managers prepare their own

budgets, recommend pay raises and promotions, and have the main say in hiring men for their departments. The manager handles gripes and personal problems, and is consulted rather than advised on top-level decisions affecting his department. This places decisive authority in close personal contact with the individual worker. Advancement, pay, and job assignments are based on personnel evaluation and not rigid standards.

The effectiveness of this compact work structure is evident in employee morale. Twenty per cent of the workers at Poughkeepsie participate in the company's educational program. In this setup, where pay is on a straight hourly basis, work stoppages due to labor disputes are unknown. Company policy allows a man to go to the very top with a complaint, but very few grievances ever require top-level hearings.

More important than any extension of physical operations is the sense of performing a meaningful and useful function.

The machine operator at IBM sets up his own equipment, gauge, and tools, and sees that cutting edges are correct. He performs a complete job, not just memorized motions. Setup men have been virtually eliminated by this enlargement of the operator's function.

Other very real savings have been realized through job enlargement. Recently 50 inspection operations were eliminated by making production workers responsible for their inspection through quality control methods.

One aim of this kind of enlargement is to develop men who can do final inspection and managerial work. The other is to permit greater production flexibility.

The concept of job enlargement is not new, particularly as concerns responsibility. As long ago as 1927, General Motors officials were discussing and applying the principle of delegated authority in management. Behind the recent resurgence of Ford Motor Co. has been a realization of the need for placing adequate authority at the operating levels.

But general acceptance of job enlargement stops abruptly when you come to direct labor. For one thing, engineers feel that mass production is dependent on breaking operations down into fine job elements; for another, many companies feel job enlargement programs invite union trouble.

But job enlargement is a legitimate function of management. Arbitrators have upheld such company programs. While the possibility of union opposition should not be overlooked, education and careful planning accompanying any program of job enlargement can help allay it.

—G. J. McManus. *The Iron Age*, February 23, 1956, p. 50:2.

Nothing in the world can take the place of persistence. Talent will not—nothing is more common than unsuccessful men with talent. Genius will not—unrewarded genius is almost a proverb. Education will not—the world is full of educated derelicts. Persistence and determination alone are omnipotent.

—Calvin Coolidge

Tips on Automation Planning

TEN FACTORS management should consider when pondering automation have been suggested by executives of the Society of Automotive Engineers:

1. *Anticipate volume.* Only long-run jobs will prove economical to automate. Each job should be analyzed as to length of run it will make without changes.

2. *Design for production.* Products to be automated should be designed or redesigned for maximum efficiency.

3. *Design ahead.* Products for automation should anticipate necessary modifications so they can be made without extensive changes in manufacturing.

4. *Anticipate extras.* Automation will frequently require the support of disposal systems, central coolant systems, new machine foundations, etc.

5. *Calculate employee needs.* There will be a need for upgrading men to run, maintain, and repair new equipment. Many of them will have to be trained in your plant.

6. *Look for versatility.* Coordinate anticipated design changes with versatility in automation equipment. You may be able to double its useful life.

7. *Consider buying parts.* There may be a vendor able to supply common-denominator parts for about what it would cost you to produce them. So perhaps you should not invest in equipment here.

8. *Provide for the interim.* A reserve of current parts may be needed to meet demand while new equipment is being installed.

9. *Consider the return.* Automation should be evaluated in terms of all the above factors, plus the rate of return on the capital investment.

10. *Make it fit.* If it is economical to automate only a few jobs, be certain your immediate plans will fit into future programs.

—*Steel* 1/30/56

Can Automation Avert a Manpower Shortage?

AUTOMATION may be not only advantageous from the viewpoint of increasing labor productivity and reducing production costs but essential if we are to meet the vital manpower shortage of the future, according to *Better Living,* DuPont's employee magazine.

By 1976, the United States may find itself 76 billion man-hours short of filling its $750 billion annual production of goods and services, the magazine reports. Only by means of automation and similar technological improvements can we hope to avoid this dangerous labor shortage, it believes.

In 1976, we will have a population of 216 million, with a predicted demand for goods and services twice that of today; yet, the workforce will be only roughly 30 per cent larger than it is at present. At our present rate of productivity, *Better Living* suggests, this would mean that we would be able to produce only about 70 per cent of the goods and services needed, and would be faced by a shortage of 76 billion man-hours.

White-Collar Salaries and Fringe Benefits: A Survey

SALARY INCREASES granted production workers are in most cases automatically passed along to the office force, indicates a recent survey of 120 representative personnel executives in large and small companies, conducted by the Bureau of National Affairs.

The method of wage payment marks one of the chief differences in the status of office and production workers. In the majority of companies—72 per cent of the larger companies (over 1,000 employees) and 60 per cent of smaller companies (under 1,000 employees)—office workers are paid on a salary basis. Production workers in nearly all the companies are paid on an hourly basis.

The incentive bonus as a form of wage payment for office workers is used by only 10 per cent of the larger companies and only 4 per cent of the smaller ones. But production workers receive some form of incentive payment in nearly 40 per cent of all the companies. For office workers, pay increases under a formal merit plan are found in 64 per cent of the companies; for production workers, such increases are found in only 22 per cent of the larger companies and 29 per cent of the smaller ones.

Plans for length-of-service increases are more commonly found in larger companies—44 per cent have plans covering office workers and 28 per cent plans applicable to production employees. Among the smaller companies, only 18 per cent had such plans for office workers and 24 per cent had them for production workers.

But pay increases granted production earners are passed on more or less automatically to office workers in nearly 75 per cent of the larger and 65 per cent of the smaller firms surveyed.

Only one in four of the larger companies has any kind of bonus plan (apart from incentive bonuses) for office employees. The figure is considerably higher among the smaller companies, where about 45 per cent have such bonus plans.

The eight-hour day is the prevailing practice for both office and production workers, the respondents indicated. In 86 per cent of the larger businesses and in 73 per cent of the smaller ones, all employees work an eight-hour day. The 40-hour week is likewise the usual pattern for both types of employees. Office employees in 10 per cent of the larger plants and in 18 per cent of the smaller ones work from 35 to 40 hours.

An overtime wage rate of time and one-half is paid both office and production workers in all the smaller companies represented and by 90 per cent of the larger firms. Premium pay for Saturday and Sunday work is much more common for production than for office employees, and is more common in smaller companies than larger ones. Holiday pay is granted

office workers by about 80 per cent of the larger companies and 75 per cent of the smaller ones, but nearly all (90 per cent) give holiday pay to production workers.

Practically all the respondents agreed that fringe benefits for office workers are as good as or better than those of production employees. Pension plans exist for office workers in 86 per cent of the larger companies and 72 per cent of the smaller ones; for production workers in 90 per cent of the larger businesses and 76 per cent of the smaller companies.

Paid vacations for both types of workers are a regular feature of job benefits in all the companies whose personnel executives participated in the survey. But in nearly 60 per cent of these companies vacations for office workers are more liberal, particularly in the requirement of a shorter length of service in establishing eligibility; for example, in 46 per cent of the larger plants, a two-week vacation is given them after one year, while only one-third grant production employees such vacations after a year's service. In almost all of the companies the same number of paid holidays are allowed office and production workers.

Life insurance is another benefit received by nearly all office and production workers in both large and small companies—only 6 per cent of the larger and 2 per cent of the smaller businesses do not have such insurance benefits. In the majority of companies surveyed, the same coverage is granted both types of employees; in most of the others, office employees receive greater coverage than production workers.

Accidental death and dismemberment benefits are not as widespread as hospitalization and life insurance, the respondents indicated, being provided for office workers in 72 per cent of the larger companies and 60 per cent of the smaller ones, and for production employees in nearly the same proportion. Hospitalization is provided office workers by 98 per cent of the larger and 94 per cent of the smaller firms; surgical benefits are furnished them by over 90 per cent of the respondents' companies. A majority of these companies also offer medical benefits, and, as in the case of surgical benefits, amounts offered office and production workers are usually identical. Sickness and accident benefits are also provided both groups of employees in most cases, and are usually equal in amount of coverage.

But in the matter of paid sick leave, office workers have an advantage. In a majority of reporting companies office personnel receive such leave, while production workers do not. Severance pay is given office workers much less frequently—in 36 per cent of the larger and 26 per cent of the smaller companies.

—*Personnel Policies Forum* (Bureau of National Affairs, Inc., Washington, D. C.)

WHY PEOPLE RETIRE: The employer's policy on age is the most common reason for retirement, according to a report by the Twentieth Century Fund, which found it cited in 56 per cent of the cases studied. Only 26 per cent of those queried had retired voluntarily because of poor health or a disabling accident.

Also Recommended...

• Brief Summaries of Other Timely Articles •

GENERAL

OPERATIONS RESEARCH IN BUSINESS. By Herbert Solow. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), February, 1956. $1.25. Operations research can be a valuable tool in managerial decision, the author believes, particularly for narrowing known problem areas or exposing and clarifying new ones. The mathematical and scientific bases of O. R. are described in detail here, and several examples of its application to complex business situations are given.

COMMITTEE MANAGEMENT—IS IT EFFECTIVE? By Marion L. Briggs. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), February, 1956. 35 cents. In the case of the Lukens Steel Company the answer is yes, says the author. This article reviews the operations of Lukens' 11-man executive committee as it thrashes out such problems as sales outlook, cost reduction, labor relations, etc. in weekly conference before submitting them for final decision by the president. Similar sessions held by a 25-man council of lower-echelon supervisors on more routine problems are also described.

HOW DID FORD DO IT? By Ernest R. Breech. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), February, 1956. 75 cents. The business strategy of the Ford Motor Co. in the past decade is here reviewed in an address by the chairman of Ford's Board of Directors. Among Mr. Breech's specific topics are Ford's managerial, financial and production policies, its concept of "engineering for obsolescence," its thinking on the GAW, and its optimism about the future of the industry.

CRITICAL HEALTH AGE: 30-40. *Business Week* (330 West 42 Street, New York 36, N.Y.), March 3, 1956. 25 cents. Contrary to popular assumption, real health problems do not begin at 40; in management, particularly, they are of increasing concern among the younger men aged 30 to 40 who are moving up into the ranks of top management. This is the conclusion of Life Extension Examiners, based on medical examinations of 15,000 executives annually. Most of the common complaints of this group—extreme fatigue, indigestion, and chest pains—seem to have no organic basis, but rather to be manifestations of tension and personal insecurity, LEE emphasizes. This article explores some implications of these findings and suggests some tentative remedies.

LEADERSHIP: THE PRICELESS INGREDIENT IN CORPORATE VITALITY. By H. W. Prentis, Jr. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), January 15, 1956. 50 cents. What are the attributes of sound management? What uncommon capabilities must a business leader possess? Some interesting reflections are provided in this article by the Chairman of the Board of the Armstrong Cork Co., who emphasizes the importance of creative thinking, sensitivity to others' needs and feelings, and leadership by example.

GAINING A GOLDEN HOUR EVERY DAY. By Ray Josephs. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), February, 1956. 35 cents. Executives may be employing automation in their factories and offices, but often they themselves still cling to shopworn methods in dealing with their own jobs, says the author. He suggests some job evaluation and personal analysis that can be made by any executive to minimize his routine tasks and enable him to concentrate best on the essentials of the managerial job.

THE LEGAL IMPLICATIONS OF STANDARDIZATION. By Ephraim Jacobs. *The Magazine of Standards* (70 East 45 Street, New York 17, N.Y.), January, 1956. 60 cents. Product standardization has long been recognized as an important factor in industrial progress, but it has also been subject to

abuses, asserts the author, who is associated with the Justice Department's Antitrust Division. Some aspects of standardization that lend themselves to uncompetitive practices are the nature of the collective action involved, the resulting uniformity of product, and the possible tendency toward eliminating non-standard products. Some rulings of the Federal Trade Commission and the Antitrust Division in this area are reviewed here, and their implications for business analyzed.

HOW TO RUN AN OPEN HOUSE. By Robert R. Walker. *Industry* (2206 John Hancock Building, Boston 16, Mass.), January, 1956. 50 cents. An open house can be used to win new friends and cement public relations when skillfully handled by your public relations or sales promotion departments, according to the author. He offers a detailed method for planning such events, emphasizing which groups should be invited, the facilities and arrangements required and their budgeting, how to assure the widest publicity coverage, content of the events to be included, etc.

THE CITY'S ROLE IN INDUSTRIAL DEVELOPMENT: ACQUISITION OF NEW INDUSTRY. By Joseph R. Coupal Jr. *Public Management* (1313 East 60 Street, Chicago 37, Ill.), February, 1956. 50 cents. Cities in search of new industry should do some real soul-searching about the attractions they have to offer potential businesses, the author believes, and he suggests that the principal attraction any community can offer is good municipal services in return for equitable rates of taxation. He is skeptical of the merits of offering tax concession or pirating industries from other areas as a means of acquiring new enterprises unless especially severe economic problems confront the area.

MORE MONEY FOR OUR COLLEGES. By John W. Hill and Albert L. Ayars. *The Saturday Review* (25 West 45 Street, New York 36, N.Y.). Reprints 10 cents. An interesting discussion of the current contributions being made by American business in financing higher education, with an examination of the programs of leading corporations and their administration. The authors examine some of the reasons for this increasing corporate giving, among them the growing awareness of the economic plight of the private college, personnel requirements, tax considerations, and a belief in education as a bulwark in preserving the free enterprise system.

GETTING AND HOLDING GOOD EMPLOYERS. U.S. Chamber of Commerce (U.S. Chamber Building, Washington, D.C.). 50 cents. A review of this problem, which the Chamber believes not only affects the currently "depressed areas" but should become a vitally increasing concern to all communities. This booklet suggests that a community attempting to build a climate rewarding and stimulating to business investment should strive to assure competitive labor costs, a fair tax structure, harmonious labor relations, equitable local regulations, adequate civic services, and an enlightened public attitude toward business. It also examines programs of civic inducements to business relocation and various forms of proposed federal assistance.

INDUSTRIAL RELATIONS

A SURVEY OF AMERICAN LABOR DURING 1955. By Joseph P. Goldberg. *Monthly Labor Review* (Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.), February, 1956. 55 cents. An interesting, compact analysis of the areas of progress and decline in organized labor's economic status during the past year. The author reviews the dominant trends in collective bargaining, contract provisions, and work stoppages. Developments in the negotiation of the AFL-CIO merger, the CIO automation conference, and labor legislation and judicial rulings are also briefly treated. The continued high level of economic activity was the underlying determinant of labor's gains in nearly every case, it is suggested.

TWENTY MINUTES TO A CAREER. By Herrymon Mauer. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), March, 1956. $1.25. The annual competitive scramble by American business to recruit college graduates has begun again, and since it will be dealing with "depression babies" will be even

more hectic than in previous years, the author believes. He examines many corporations' recruitment plans, salary schedules, advancement possibilities, and the various considerations on which the graduate places greatest importance. The increasing opportunities for the non-technical graduate and the growing importance of corporate promotion-from-within policies are among the aspects of the problem discussed.

PENSION PLANS DON'T COVER EVERYTHING. By Phil Hirsch. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), February, 1956. 35 cents. Pension plans are fine, but even more important in preparing for retirement is the mental conditioning for the adjustment involved, asserts the author. He describes how one company has attempted to smooth the path by establishing group seminars at which its older employees can discuss the financial and emotional factors in retirement, talk out their problems and apprehensions, and gain expert advice and guidance in planning their later lives.

RECRUITING EXECUTIVES FROM OUTSIDE YOUR FIRM. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), February, 1956. 50 cents. A discussion of some of the techniques widely used in selecting capable administrators from outside a company's own ranks. The methods reviewed include the use of varying forms of "piracy" (the most commonly used method), advertising, personnel agencies, personal contacts, executive placement consultants, and the company's own personnel department.

LABOR IN PUERTO RICO, ALASKA, AND HAWAII. *The Monthly Labor Review* (U. S. Government Printing Office, Washington 25, D.C.), December, 1955. 55 cents. This special feature section is devoted to a series of articles by various experts on aspects of the labor situation in each area: wage structures and working conditions, the labor market and its characteristics, living standards and economic growth potential, and the prevalent labor law and governmental regulations. Numerous statistical charts and tables are included, together with a bibliography.

AFTER MERGER—AFL-CIO'S PROGRAM AND POLICIES. By Howard G. Gamser. *Labor Law Journal* (4025 West Peterson Avenue, Chicago 30, Ill.), February, 1956. $1.00. The labor merger has left unsolved many key problems and has raised many new and thorny ones, the author contends. The acid test to come involves differences in philosophies of unionism, clashes of personalities, internal rifts, jurisdictional strife, and the like, he believes. Extensive campaigns to double union membership among wage earners, expansion of white-collar unions, effective united political action, possible restructuring of component memberships—these are some of the AFL-CIO goals dealt with in this article.

HOW SEVEN EMPLOYEES CAN BE MADE TO DO THE WORK OF ONE. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), March, 1956. $1.25. A new iron law of personnel prolifieration has been discovered, based on the prime need of government officials to breed subordinates, not rivals, and their natural tendency to create new work for each other. In this amusing article, reprinted from *The Economist* of London, some truths about self-perpetuating bureaucracy are tellingly emphasized, and statistics from British government departments are analyzed to demonstrate the law in operation.

TIMESTUDY AND INCENTIVE CLAUSES IN UNION CONTRACTS. By Phil Carroll. *Journal of Industrial Engineering* (145 North High Street, Columbus 15, Ohio), January-February, 1956. $1.50. Company time-study and incentive plans cannot be used as substitutes for good management, but they can be useful adjuncts to it when carefully planned, in the author's opinion. He reviews the nature of contract clauses commonly based on "rate-setting" programs and discusses some of the difficulties involved—difficulties best overcome, he believes, by substituting a time-study system based on standard data.

IF I WERE A COLLEGE RECRUITER. By John E. Steele. **IF I WERE A PLACEMENT DIRECTOR.** By Robert J. Channing. *Journal of College Placement* (123 South Broad Street, Philadelphia 9, Penna.), March, 1956. $1.00. A college placement director and a company executive in charge of recruiting exchange roles and offer suggestions about each other's jobs. In the first article, Mr. Steele describes various techniques for establishing personal contacts with college placement officials and faculty, and urges that company recruiters themselves be capable representatives of their businesses, with well-defined personnel objectives and poli-

cies. Mr. Channing offers varied suggestions by which placement directors might improve their performances vis-a-vis their students and company recruiters.

SUMMER EMPLOYMENT PROGRAMS. *Journal of College Placement* (123 South Broad Street, Philadelphia 9, Pa.), March, 1956. $1.00. Increasingly, companies are recognizing in summer jobs for students a valuable recruiting device, especially when accompanied by a well-planned work program to stimulate the student's interest in the company and crystallize his professional goals. This article briefly reviews 22 such company programs that have been successfully adopted. For example, Procter & Gamble Co. has maintained a summer program for 17 years in which college juniors are oriented in over-all company and staff operations, and are then assigned to specific research or engineering problems.

UNIONS AND LABOR MOBILITY. By Howard D. Marshall. *Labor Law Journal* (4025 West Peterson Avenue, Chicago 30, Ill.), February, 1956. $1.00. Labor mobility has been declining in recent decades, but while unions may have played an influential role here, they are not the decisive factor they're often thought to be by some economists, says the author. In this lengthy but well-thought-out review, he examines the importance of pension plans, seniority provisions, fringe benefits, similarity in prevailing wage scales, restrictive labor practices, and the union as a social institution in the pattern of mobility. He attributes greatest significance to the seniority principle, but suggests that here as elsewhere further study is needed before any sound correlations can be made.

HOW TO USE PSYCHOLOGICAL INCENTIVES. By Dr. Ernest Dichter. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), February, 1956. 50 cents. A little applied psychology is not a dangerous thing, but—as the author entertainingly demonstrates—it does have a point of diminishing returns, and cannot be expected to usher in a golden age of management-employee relations. He attacks the company paternalism that degenerates into a pattern of positive "fatherism," and urges instead an approach based on "creative considerateness," responsive to the real needs of employee morale and job satisfaction.

COMPANY EDITORS TODAY PROUD OF PROFIT SHOWING. By Henry B. Bachrach. *Personnel Journal* (P.O. Box 239, Swarthmore, Pa.), March, 1956. 75 cents. Editors of house organs and external publications are increasingly setting their sights on something more than being informative and entertaining—they are developing year-round communications programs that can pay handsome dividends to a company, the author suggests. These case histories illustrate how employee magazines can be utilized in well-planned safety programs, waste and scrap-reduction campaigns, successful suggestion systems, improving employee relations, and reducing turnover.

OFFICE MANAGEMENT

EQUIPMENT FOR INTEGRATED DATA PROCESSING. By Robert Beeman. *Office Management* (212 Fifth Avenue, New York 10, New York), February, 1956. 35 cents. A general review of progress in office automation to date, with special emphasis on the machines producing and interpreting the nine common language media. The author believes that extent and degree of application of the concept depend largely on the efficiency of systems designed to utilize the enormous potential of these machines. A lengthy list of automatic equipment now available and its various manufacturers is supplied.

THE PLANNING BEHIND THE IBM 702 INSTALLATION AT CHRYSLER CORPORATION. By Eugene Lindstrom. *Computers and Automation* (513 Avenue of the Americas, New York 21, N.Y.), February, 1956. $1.25. In addition to its advantages of speed, efficiency, and reduced costs, the electronic data processing system installed recently in the Parts Division of the Chrysler Corp. permits management greater discrimination in pinpointing critical problems for further study, the author reports. He outlines the operation of the punched card and magnetic tape systems introduced into central inventory control, invoicing,

cost of sales, accounts receivable, and sales analysis, and describes the improvements in performance made possible in these areas.

WHITE COLLAR BLUES: ITS CAUSE AND CURE. By Timothy W. Costello. *The Office* (232 Madison Avenue, New York 16, N.Y.), March, 1956. 35 cents. Dissatisfaction and discontent are the common lot of many white-collar personnel today, the author suggests—and with good reason. A basic cause, in his view, has been the decreasing attractiveness of the traditional security and prestige features of clerical jobs as blue-collar workers have achieved similar status guarantees and greatly increased earnings. Office automation can only accelerate this trend of discontent; and management, at every level, must provide the remedies: achievement recognition, open communication lines, and better personnel techniques.

OFFICE AUTOMATION, 1956—FACT AND FANTASY. *Office Management* (212 Fifth Avenue, New York 10, N.Y.), January, 1956. $1.00. A general review of the progress in this field from the use of punched cards to the more recent application of seven-channel magnetic tape and electronic computers. The author believes the nature of management's specific needs in the areas of speeding work flow, transmitting data to regional offices, and making forecasts from processed data are the key to determining the proper degree of automation for a given company.

CAN COMPUTERS CUT YOUR COSTS? By Ned Chapin. *Automation* (Penton Building, Cleveland 13, Ohio), March, 1956. $1.00. The author considers the dollars-and-cents savings as well as the intangible advantages which must be weighed when the introduction of office computers is being considered. He provides some handy formulas to evaluate the cost and profitability factors involved when making new systems analyses. Several charts and tables included show the fiscal considerations involved.

HOW SMALL OFFICES CAN USE CLERICAL WORK MEASUREMENT. By Martin Smith. *The Office* (232 Madison Avenue, New York 16, N.Y.), March, 1956. 35 cents. A case history of the installation and operation of a work measurement program in a small credit and adjustment department, with emphasis on the need for obtaining employee cooperation and the techniques management used in working out standard performances. In nearly every case, substandard achievement was the result of deficiencies in the existing systems rather than deliberate work slowdown, and was easily remedied by restructuring the work pattern, he asserts.

PRODUCTION MANAGEMENT

WILD ANIMALS I HAVE KNOWN . . . MOSTLY IN WAREHOUSES. By William H. Meserole. *Flow* (1240 Ontario Street, Cleveland 13, Ohio), March, 1956. 50 cents. Many warehouses are operated with scant regard for maximum space utilization and minimum overhead costs; and careless, deficient planning is usually the cause of it, the author suggests. Several examples of such inefficient warehouse facilities are presented, together with suggestions on how they might be remedied.

ECONOMICS OF AUTOMATION. By A. E. Puutio. *Automation* (Penton Building, Cleveland 13, Ohio), March, 1956. $1.00. A general review of the adjustments in management planning and company operations necessitated by the introduction of automation, with particular stress on revisions in accounting techniques and product design. The author examines the basic considerations involved in applying automation to the office or factory. He is convinced that competition and rising labor costs will result in nearly universal application of automation, and he explains his reasoning here.

CONTRACT PACKAGING: GROWTH AND PROSPECTS. By Robert S. Pliska. *Good Packaging* (Tioga Building, Milvia and Addison Streets, Berkeley, Calif.), January, 1956. 35 cents. The facilities offered by this largely postwar industry are growing increasingly attractive to many businesses,

the author says, and he describes some of the lines of export and domestic packaging in which it has greatly expanded recently. Its uses in expanding distant domestic markets and reducing transportation costs in distribution are presented, as are many other of its features which the author is convinced can reduce packaging costs and improve the attractiveness of many types of products.

EDUCATING THE BOSS FOR BETTER PURCHASING POLICY. By Stanley E. Bryan. *Purchasing* (205 East 42 Street, New York 17, N. Y.), February, 1956. $1.00. Establishing effective communications with management is a vital element in effective purchasing, according to the author. He draws on techniques widely used in selling, control, and policy planning to evolve an efficient system to keep management "educated" in the needs and problems of purchasing. The mechanics involved in such a program, which are fully outlined here, may be applicable in some degree to other areas of communications difficulties as well.

HOW TO WRITE A GOOD REPORT. By John R. Mayer. *Office Management* (212 Fifth Avenue, New York 10, N. Y.), February, 1956. 35 cents. Writing special reports may try the confidence and competence of even the most capable executive, the author acknowledges; but there are some practical guides useful in producing well-planned, intelligent reports. Among those considered here are organization of a carefully prepared outline, preparation of the rough draft, and completion of the final report, with emphasis on sharpness of meaning and literary polish.

STANDARDIZED PROCEDURE FOR FLOW PLANNING. By Martin Richmond. *Flow* (1240 Ontario Street, Cleveland 13, Ohio), March, 1956. 50 cents. Efficient space utilization, based on an integrated plan, is basic to profitable production, the author believes. He describes how to use such industrial engineering tools as process and facilities flow charts, and examines the components of time, distance, number of pieces, space requirements, layout limitations, and product size on which they are based. Storage facilities, operator spacing, and aisle requirements are also dealt with in the article.

PREPARATION FOR PURCHASING. By E. M. Krech. *Purchasing* (205 East 42 Street, New York 17, N. Y.), February, 1956. $1.00. What are the personal characteristics essential in a purchasing executive? What type of educational background is most useful? What are the mental and physical demands of the job? The author delves into these matters at length, and explains why he believes that a liberal arts background, a talent for personal relations, and an inquiring and analytical mind are the best basic qualifications.

MARKETING AND SALES MANAGEMENT

IF THE NEWLY RICH MASSES AREN'T BUYING YOUR PRODUCT. . . By Pierre Martineau. *Sales Management* (386 Fourth Avenue, New York 16, N.Y.), January 1, 1956. 50 cents. The remarkable rise in consumer income during the past six years has both reflected and augmented current prosperity, but it has not led to notable sales gains in some consumer lines, according to the author. In this article he examines this discrepancy, caused by the persistence of former buying habits among this new middle-income group and affecting both product preferences and choice of store. Makers of quality products, he suggests, need to gear their advertising to re-educate such consumers.

ADVERTISING AS A PER CENT OF SALES. By C. H. Sandage and S. R. Bernstein. *Advertising Age* (200 East Illinois Street, Chicago 11, Ill.), January 30, 1956. 15 cents. A description of a study made among 2,325 typical companies to evaluate their advertising expenditures for 1954. The study found that the median percentage of sales invested in advertising was 2.5 per cent—nearly one-fourth of the companies invested 1 per cent or less, one-fourth invested from 1 to 2.5 per cent, one-fourth invested from 2.5 to 5 per cent, and the other one-fourth spent more than 5 per cent. The article contains numerous tables and charts showing in detail expenditures among 70 business categories.

TELEVISION: THE NEW CYCLOPS. *Business Week* (330 West 42 Street, New York 36, N.Y.), March 10, 1956. 25 cents. A special report on the postwar revolution in leisure-time consumption brought about by the advent of TV. Of particular interest are the analyses made of the rise of TV to the position of top sales medium, current advertising volume and its distribution, and its present sales impact and future potential. Many technological advances in the field, such as color TV, tape, toll-TV, and wall-size screens, are explored, and their likely influence on sales and advertising budgets are suggested.

YOUR CUSTOMERS ARE SPENDING MORE MONEY IN FEWER STORES. By Dr. Edgar Gunther and Warren A. Vierow. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), March 2, 1956. 25 cents. A discussion of the findings of the 1954 Census of Business concerning retail consumer spending, with reference to the previous Census of 1948. The authors examine trends in the distribution of U. S. retail spending by geographical regions, by states, and by retail line. Of particular interest is their discussion of the continuing remarkable growth of the supermarket in retail food sales.

HOW DO YOU MEASURE UP? *Sales Management* (386 Fourth Avenue, New York 16, N.Y.), January 15, 1956. This self-analysis quiz is designed to help the individual salesman evaluate his attitudes and performance in today's buyers' market. Most of the 60-odd questions are calculated to pinpoint lack of product knowledge or shortcomings in inter-personal relations with buyers that may be causing difficulties.

HOW TO USE CONSUMER PUBLICITY TO SELL A PRODUCT. By Rene Schenker. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), February, 1956. 50 cents. Publicity can be a valuable method of advertising and sales promotion in the hands of a capable public relations department, the author emphasizes. He details some of the promotional means that can be used to assure the impact of product publicity on sales among dealers and the public, and various approaches that are often successful in gaining publicity initially—magazine features, TV and radio give-aways, newsworthy exhibits and conventions, anniversaries, etc.

DO'S & DON'TS FOR BETTER PRESS RELEASES. *Advertising Requirements* (200 East Illinois Street, Chicago 11, Ill.). 25 cents. On the average, four out of five press releases sent to editors of business publications go straight into the wastebasket, mainly because they fail to provide what the editor needs. This comprehensive list of do's and don'ts has been compiled from a survey of over 300 editors of leading business publications who were asked to provide concrete suggestions for making press releases more effective.

FINANCIAL MANAGEMENT

WHY COMPANIES SELL OUT. By Royal Little. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), February 1956. $1.25. Let the buyer beware, advises the author, if he doesn't know the real reason why a business is offered him for sale. In this article Mr. Little, who is Chairman of Textron-American, Inc., calls on his own wide experience to discuss and illustrate such motives as tax difficulties, desire to diversify holdings, inadequate working capital, fear of product obsolescence, etc. The price offered is often less important in choosing a buyer, he emphasizes, than the seller's desire for subsequent divisional autonomy and personal status and satisfaction.

THE STOCK MARKET IN PERSPECTIVE. By J. Fred Weston. *Harvard Business Review* (Soldier's Field, Boston 63, Mass.), March-April, 1956. $2.00. Overdramatization of the fluctuations of the stock market, with resulting doubts and anxieties on the part of investors, tends to have an unhealthy effect on the economy; yet there have been no generally accepted quantitative criteria for evaluating the soundness of the general market level. This article sets forth the rationale and application of a new method of measurement developed by the author. His equation, which relates common stock prices to the gross national product, appears to confirm the soundness of the current market level.

CONSIDERATIONS IN BUSINESS LEASE ARRANGEMENTS. By Vance N. Kirby. *Taxes* (Commerce Clearing House, Inc., Chicago 1, Ill.), January, 1956. 60 cents. A detailed examination of the tax status of business leases as recently clarified by Internal Revenue rulings. The author examines some of the tax and non-tax merits of varying kinds of leases and the criteria used by the government and the courts to determine whether a lease or sale is actually intended.

NATIONAL INCOME AND PRODUCT IN 1955. *Survey of Current Business* (Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.), February, 1956. 30 cents. A comprehensive annual review by the Department of Commerce of economic activity in 1955 as reflected in the GNP and national income, complete with distribution charts and tables. Among the many important trends revealed is the key role played by final civilian purchases in the record GNP, and the rise in local and state government spending, coupled with a decline in Federal Government expenditures.

ESTATE PLANNING: NEW GROWTH INDUSTRY. By John P. Allison. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), March, 1956. $1.25. Our current prosperity and tax structure are lending new importance to the concept of estate planning, according to the author. Many of the programs currently offered by planning consultants and banking departments are examined, as are the underlying tax considerations in gifts, marital deductions, trusts, and stock valuation. The uncertain tax pattern applicable to the planning service itself and the reluctance of legally trained people to enter the field are some limiting factors yet to be resolved, this article reports.

FRINGE WAGES AND PRODUCTION COSTS. By Robert E. Seiler. *Cost and Management* (31 Walnut Street South, Hamilton, Ontario), February, 1956. 50 cents. As fringe benefits are expanded, the relation of labor costs to production volume becomes increasingly complex, says the author. He describes some of the fixed and variable cost elements involved and suggests that they tend to force a company's break-even point into a narrowing range of production volume.

INSURANCE MANAGEMENT

SELF-INSURANCE OF GROUP WELFARE PLANS. By John Liner. *Harvard Business Review* (Soldier's Field, Boston 63, Mass.), January-February, 1956. $2.00. While group health and welfare insurance is relatively inexpensive, a medium-size company might nonetheless find a self-insurance plan even less costly, the author suggests. In this article, he outlines the operation of such a plan and discusses the questions of establishing a valid reserve fund, setting an equitable scale of benefits, and providing stop-loss coverage. Limitations of such a plan, as well as possible savings, are considered.

THE VARIABLE ANNUITY: WILL IT YIELD MORE DOLLARS FOR RETIREMENT? By Leonard E. Morrissey. The Amos Tuck School of Business Administration, Dartmouth College, Hanover, N.H. November, 1955. An evaluation of the pros and cons of the variable annuity principle, accompanied by a detailed description of one plan now in operation. Examining the question of whether insurance companies should write variable annuity policies, the author (who thinks they should) weighs some of the probable consequences, concluding that the supply of equities will probably prove adequate and that insurance company holdings would not become so concentrated as to lead to charges of undue influence over corporation affairs.

DEDUCTIBLE HOSPITAL INSURANCE. By Charles N. Walker. *Best's Insurance News* (75 Fulton Street, New York 38, N.Y.), December, 1955. 50 cents. The increasing cost of hospital operation, and the public's growing reliance on hospitals for care and for diagnostic services, have brought about significant increases in premium rates for hospital insurance. Described in this article is a new type of individual policy, designed to permit lower premiums and more complete coverage for long and serious illnesses by means of a relatively small ($50-$100) deductible.

Survey of Books for Executives

GREAT ENTERPRISE: *Growth and Behavior of the Big Corporation.* By Herrymon Maurer. The Macmillan Co., New York, 1955. 296 pages. $5.00.

*Reviewed by Leo Teplow**

A deeper knowledge of the philosophies and methods of operation of our larger corporations is essential to those who seek an understanding of our times, whether for purposes of a more professional approach to business problems, the formulation of public policy, the enlightenment of the citizen, or merely for recording current history in appropriate perspective.

In *Great Enterprise,* Herrymon Maurer seeks to fill the need for a general perspective on the large modern corporation through research into the historical facts of U.S. business and through a unique survey of the daily behavior of 50 companies preeminent in 24 important industries ranging from aircraft to telephone communications, from finance to farm machinery. The 50 companies were chosen because they reflect diversities of origins, early circumstances, present activities, products, locations, and sizes.

Six years of research, extensive interviews with over 200 executives of the corporations studied, *Fortune* research, and various other data were the raw material out of which *Great Enterprise* was fashioned. Portions of the material have appeared in *Fortune* in different form.

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Conceived, initiated and edited by Ralph D. Paine, Jr., publisher of *Fortune, Great Enterprise* should have been the definitive study of the most significant social development of the 20th century. While the book falls short of that ambitious goal, it nevertheless has much to contribute to the business executive, the economist, the business teacher and consultant, and especially to those responsible for the formulation of public policy affecting business.

Despite the wealth of material collected on the modern corporation, one of the most successful sections of *Great Enterprise,* in the opinion of this reviewer, is that which gives a quick historical review, tracing the growth of American business from its earliest days. The 80 pages devoted to "Early Enterprise" are worth the price of the book alone.

It was The Great Depression of the 1930's which first brought serious questions as to the ultimate goal of the American economy, and forced a painful reexamination of the function of the large corporation. This self-examination led the managers of large corporations to the conclusion that their responsibilities were not limited to their stockholders. They began to sense that in fact they were trustees, not only for the stockholders, but for the employees who produced the goods or services, the consumers who bought them, and the communities in which they operated. Social values became as vital a subject for corporate managements as economic calculations. By 1950, the large corporation had become quite a different en-

NOTE: Books on personnel administration and labor relations are regularly reviewed in the Association's bi-monthly, PERSONNEL.

tity from the big business of fifty years previously.

The new manager of a large corporation, Maurer points out, is a different person from the old entrepreneur. The new-day corporate manager is a "group man" rather than a star performer. His satisfactions are likely to lie in his contribution to group accomplishment, in security, and a sense of responsibility rather than in the accumulation of great personal wealth, for which the opportunity has largely disappeared.

In his effort to show that today's large corporation is indeed a new and different entity, Maurer tries to demonstrate that classical economics cannot explain the operation of this new genus. Because large companies do not set their prices at the point that will yield the largest immediate profit, he questions the adequacy of the profit motive. He uses the unfortunate term "managed price," with its possible connotation of collusion on the one hand and disregard of competitive prices on the other, to explain the large corporation's effort to achieve stability in its price structure. A more disturbing error, however, is his statement: "Actually the interest of a large corporation in its competition is not as intense as the formal speeches and statements of its representatives make it seem. A large corporation studies itself."

Naturally, a corporation must put its own house in order *so that it may meet competition most effectively*. It is competition that provides the goal for a corporate reorganization or for the maintenance of efficient organization. It is no service to better understanding of the large corporation to play down the major role—in fact, the compelling role—that competition plays in determining its policies and conduct: competition in price, in quality, in service, in reliability, in its capacity to produce the kind and types of goods and services needed, when they are needed.

On the other hand, Maurer contributes an excellent discussion on the importance of long-range planning in a large corporation, and the stability that such planning brings not only to the corporation itself but to the economy as well. Long-range planning means the postponement of profits, heavy reinvestment and expansion, intensive research, and the development of new products and of new markets. Among the factors making for greater markets in the future are increasing population and higher personal incomes, including wages. The large corporations, in general, are engaged in long-range planning based on the assumption of a continually expanding economy.

Another characteristic that Maurer notes about the modern large corporation is that individual control has been replaced by group management. The emphasis on group cooperation means that "a premium is . . . placed upon the ability of each man to make the group work together more smoothly." There is thus developed a renewed appreciation of the importance of relations between people, both at the executive level, and subsequently all through the entire corporation. Maurer notes a trend toward community within the larger corporation, extending to the ultimate inclusion of all employees. This community of interests is of course diametrically opposed to the Marxian and similar theories of inevitable class conflict. But the modern American corporation has not merely developed a variant theory: it is proving increasingly that the real community of interests works.

The major goal of a large corporation, according to Maurer, is not to make a profit, but rather to insure the corporation's healthy future existence. He concedes that profit is a measure of efficiency, but quibbles over whether a large corporation tries to achieve a

maximum long-range profit, or "fair" or "suitable" profits. He then proceeds to discuss the impact of "corrective" competition, and the economic vote cast by the consumer. It seems to this reviewer that an appraisal of the distinctive characteristics of the large corporation need not conflict with common economic sense, nor does it require the creation of a new economic vocabulary. It makes economic sense to say that the function of a large corporation, like that of a small one, is to provide needed goods or services at a profit, and to recognize that the corporation will and should make as large a profit as its competition and other circumstances will permit. In view of the importance of long-range planning to a large corporation, however, the maximum profit it will strive for is that which can be earned consistently with provision for its continued economic health and growth. This means a recognition of its responsibility to customers, employers, community and nation, as well as to the stockholders. The argument whether it will try for "maximum" or "fair" profits seems a sterile debate: The maximum profits it can achieve in a competitive economy, and with adequate regard for all the factors affecting the corporation's long-range health, will be, in fact, a "fair" profit under the circumstances. (Has anyone ever defined a "fair" profit?)

In defining the impact of social controls on large corporations, Maurer dismisses the stockholder, somewhat prematurely, as having practically no influence. He lays great emphasis, however, on the role of the general public and public opinion as a mechanism for exerting social control over the large corporation. There can be no doubt that large corporations have become increasingly concerned about the impact of public opinion, and have gone to great lengths to take public opinion into account in considering broad corporate policies. One wishes, however, that Maurer might have gone one step further to demonstrate how (other than as customer) the general public might make its influence felt if it disapproved of the policies of a particular corporation.

In a closing chapter, Maurer points out some danger areas in the future development of large corporations (among other things, he frowns on executive stock-option plans). Then, pointing out that large corporations are the only non-governmental forces "strong enough to accept the challenge of relieving the poverty or illness in which two-thirds of the human race live today," he challenges them to take over from the Europe and England of yesterday the job of industrializing Asia and Africa. The large corporation, he asserts, can break down trade barriers and restrictions and "serve as the middle force between socialism and capitalism."

The challenge to help meet the aspirations of the millions of peoples in Asia and Africa is a stirring one. But, to this reviewer, the argument that large American corporations—children and exponents of capitalism at its finest—can provide the "middle ground between socialism and capitalism" seems rather incongruous. It is true that, as Maurer says, "the large corporation can be a revolutionary and democratic force throughout the world." But how that is to be done by departing from its source and modus operandi into some unfathomable "middle ground" is far from clear.

There is much about *Great Enterprise* that is informative; much that is provocative; much that makes for a better understanding of the phenomenon of the large corporation. But in the presentation of a subject of such overwhelming import, journalism—even journalism at this high level—can never take the place of scholarship.

MODERN OFFICE MANAGEMENT. By C. L. Littlefield and R. L. Peterson. Prentice-Hall, Inc., Englewood Cliffs, N. J. 1956. 562 pages. $9.00.

Reviewed by Richard R. Conarroe

According to its dust jacket, *Modern Office Management* contains "all there is to know about today's efficient and economical office management . . ."

With a smile, most readers of the book will brush this statement aside as the naturally biased opinion of an enthusiastic publisher. However, when he has read the book through, or at least given it more careful scrutiny, even the most literal-minded reader may conclude that Prentice-Hall is not so far wrong, at that.

The authors have carefully plotted out a book that does indeed reach into every important phase of office management, throwing revealing light upon most major aspects of each phase. At once basic and timely, it lives up to its title by linking the known, proven principles of office management with an up-to-the-minute review of the refinements that have been developed in this field in rapid succession during the past few years.

The opening section does an enlightening job of placing office management in its proper context. It maps out the expanding ramifications of office operations in modern business, and envisages the increased scope of the contribution which the office can make in the future.

Proceeding from this foundation, the book examines the specific areas of office organization; physical facilities; office services; procedures, methods, and forms; standards and controls; and the responsibilities for office personnel.

The concluding section, which consists of eight chapters on the human element and how it affects the management job, is especially indicative of the sound research the authors have put into their work.

C. L. Littlefield, who is Chairman of the Department of Management at North Texas State College, and R. L. Peterson, who is now a consultant on office management practices and was formerly with the Bureau of Business Management of the University of Illinois, have put together a workmanlike, logical, and well-organized coverage of office management—from forms to automation, from scheduling to office lighting, from methods to motivation, from organization to training—and nearly all that lies between. This is a good book which can be recommended to any office manager.

PROFIT MANAGEMENT AND CONTROL. By Fred V. Gardner, McGraw-Hill Book Company, Inc., New York, 1955. 285 pages. $6.00.

Reviewed by Frederick J. Muth*

Mr. Gardner's interesting book is divided into two sections: "The Basis of Profit Control" and, "The Use of Breakeven Points in Management Decisions." In the first, he gives an exhaustive examination of the analytical and control aspects of the crossover chart; in the second, he extends the use of the breakeven-point technique to the development of the capitalgraph for the study of financial requirements at given levels of activity. The text is interspersed with a great many clarifying illustrations and sets forth the writer's personal philosophy of management drawn from many years' experience in the consultant field.

In his preface to Section II, Mr. Gardner points out that "a breakeven point never runs a business" but that its value lies rather in uncovering variations whereby cures can be ef-

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fected. This section illustrates the use of the crossover chart to assist management in arriving at decisions on such diverse problems as production efficiency, sales prices, bonus plans, organization structure, and labor relations.

Mr. Gardner is enthusiastic about the versatility of the breakeven-point technique, and this enthusiasm probably accounts for his distorting this tool at times to force the solution of problems where other techniques would supply the answer with less effort and by methods more readily comprehended by top management. However, this criticism is not intended to decry the value of the book to the accountant. It is a thought-provoking work and stresses the importance of examining all aspects affecting the successful operation of a business.

Basic to the development of the crossover chart is the determination of fixed or stand-by and variable or direct costs. Mr. Gardner recommends the scattergraph as the best means of uncovering this relationship. This advice could lead to incorrect solutions since the scattergraph approach assumes that actual experience over a period of time represents acceptable performance. If crossover charting is to be accepted for cost control and forecasting purposes, there must be careful detailing of such costs based on studies of efficient performance at various activity levels. Experience has shown that this approach invariably uncovers longstanding inefficiencies whose prompt correction leads to valuable reductions in production costs.

Mr. Gardner has missed another opportunity in failing to tie his profitgraphs and capitalgraphs to return on capital employed as the final measurement of managerial efficiency. Without the establishment of definite goals in return, such management responsibilities as forecasting, cost control, product mixture, pricing, and capital additions cannot be programed toward maintaining or improving the profitability of a business. Once these goals are established, the profitgraph and capitalgraph become good working tools to assist in accomplishing the over-all objectives.

Mr. Gardner's text is to be recommended for the student, as well as for the accountant in business. It is too technical for top management, who must rely on the accountant to apply the techniques it describes in developing the data required for decision.

Briefer Book Notes

[Please order books directly from publishers]

GENERAL

THE SOCIAL PSYCHOLOGY OF INDUSTRY. By J. A. C. Brown. Penguin Books Inc., 3300 Clipper Mill Road, Baltimore 11, Md. 1954. 310 pages. 65 cents. Written by a psychiatrist with considerable practical experience in industry, this excellent outline of the social background of industrial organization discusses such fundamental topics as morale, the stimuli which impel men to work, and the effect of industrial work on the mental health of both the individual worker and the community as a whole.

THE FAILURES OF ECONOMICS: *A Diagnostic Study.* By Sidney Schoeffler. Harvard University Press, Cambridge, 1955. 254 pages. $4.75. A discussion of the problems that are central to economic theory and an analysis of "scientific method" in the social sciences generally. Arguing that the concepts and tools which the economists have borrowed from other sciences make their findings generally undependable and misleading, the author outlines an approach to the empirical subject matter of economics which he believes offers a sounder basis for forecasting and policy-making.

GOVERNMENT STATISTICS FOR BUSINESS USE. Edited by Philip M. Hauser and William R. Leonard. John Wiley & Sons, Inc., New York, 1956. 460 pages. $8.50. This second edition includes a full account of the changes that have occurred in the federal statistical system since 1946. Thirteen of the 14 chapters in the first edition have been revised, and two new chapters on international statistics and the uses of sampling and sampling aids have been added.

OPERATIONS RESEARCH CONFERENCE PROCEEDINGS. Society for Advancement of Management, 74 Fifth Avenue, New York 11, N.Y. 1955. 144 pages. $10.00. These proceedings of a conference held in New York in September, 1955, include papers on and discussions of the methods and applications of operations research, the relations between operations research staff and operating management, and a complete case history of an operations research study carried out at Procter & Gamble.

FRAMEWORK FOR ATOMIC INDUSTRY. By Herbert S. Marks and George F. Trowbridge. BNA Inc., Washington, D.C., 1955. 228 pages. $12.50. In this commentary on the Atomic Energy Act of 1954, the authors examine the steps taken by Congress to provide the legal means for developing the peaceful uses of atomic energy and discuss in detail the system of licensing, control of information, security clearances, patent and power policies, the provisions for government assistance, and the mechanism of foreign trade in atomic facilities and materials.

WHAT IS OPERATIONS RESEARCH ACCOMPLISHING IN INDUSTRY? Case Institute of Technology, Cleveland, Ohio, 1955. 102 pages. $5.00. The proceedings of a conference sponsored by the Operations Research Group of the Engineering Administration Department of Case Institute. Includes papers on various applications of operations research, the role of the company technician in operations research, and a survey of the accomplishments of operations research in industry.

POLICIES TO COMBAT DEPRESSION: *A Conference of the Universities-National Bureau Committee for Economic Research.* Princeton University Press, Princeton, N.J., 1956. 417 pages. $8.50. The proceedings of two conferences that surveyed the existing state of readiness to deal with the problem of depression. Included are papers and comments on types of depressions and programs to combat them, the economics of the next adjustment, the corporate income tax in a depression, social security programs and economic stability, stabilization of international commodity prices, and international currency and reserve plans.

PROBLEMS OF BUSINESS MANAGEMENT: *American Opinions, European Opinions.* Organisation for European Economic Co-operation, 2002 P. Street, N.W., Washington 6, D.C. 1954. 88 pages. 75 cents. The report of an O.E.E.C. seminar convened to consider the comments of various teams of American experts on European productivity and management. Contains an analysis of the report of the American teams on top management attitudes, subordinate management training, market research, and human relations, and comments of the European participants.

PRACTICAL BUSINESS PSYCHOLOGY. By Donald A. Laird and Eleanor C. Laird. Gregg Publishing Division, McGraw Hill Book Company, Inc., New York, 1956. 472 pages. $5.00. Three chapters, a number of new sections, and 35 new cartoons have been added to this second edition, and increased emphasis has been placed on white collar workers and the "will to work."

TRENDS AND CYCLES IN ECONOMIC ACTIVITY. By William Fellner. Henry Holt and Company, New York, 1956. 411 pages. $5.00. A consideration of the dual problem of the qualitative adequacy and the quantitative sufficiency of technological and organizational improvements. The author takes the view that sustained economic growth requires improvements in labor-saving, capital-saving, and land-saving, as well as a quantitative sufficiency of new skills.

ASSOCIATION ACTIVITIES: *A Survey of 634 Associations.* Chamber of Commerce of the United States, Washington, D.C., 1955. 34 pages. $1.00. Included in this report on the services and activities of more than 150 kinds of trade and professional associations are data on association incomes, size of staff, and membership.

ECONOMIC SURVEY OF LATIN AMERICA, 1954. Prepared by the Secretariat of the Economic Commission for Latin America. United Nations, Department of Economic and Social Affairs, New York, 1955. 203 pages. $2.50. The first part of this comprehensive two-part survey considers the Latin American economy as a whole; the second part provides an analysis on a country-by-country basis. The text is accompanied by numerous tables and charts.

OFFICE MANAGEMENT

PROCEEDINGS OF THE CONFERENCE ON RECORDS MANAGEMENT. National Records Management Council, 55 New Montgomery Street, San Francisco 5, Calif. 1955. 68 pages. $2.00. Among these proceedings of a conference held in October, 1955, under the auspices of the University Extension and School of Business Administration, University of California, in cooperation with the National Records Management Council, are papers on selling a records program to management and programming for the integration of paperwork controls. Also included are group discussions on forms, reports, and correspondence control, records center equipment and operation, records retention and disposition programs, microfilming and filing systems.

BUSINESS LETTER WRITING MADE SIMPLE. Edited by Irving Rosenthal and Harry W. Rudman. Made Simple Books Inc., New York, 1955. 190 pages. $1.00. (Available from Garden City Books, Garden City, N.Y.) A clearly written manual covering all types of business correspondence, with numerous examples and model letters in every category. Guidance on such topics as abbreviations, punctuations, forms of address, and words often confused, and a glossary of business terms, are provided in a helpful series of appendices.

REPORT WRITING FOR ACCOUNTANTS. By Jennie M. Palen. Prentice-Hall, Inc., Englewood Cliffs, N. J. 1955. 602 pages. $9.25. A practical handbook for accountants at all levels. Provides step-by-step guidance, with numerous illustrative examples, for preparing balance sheets, income statements, schedules, consolidated statements, comments, opinions, and other reports which the independent auditor is called upon to prepare.

WRITING USEFUL REPORTS. By Robert E. Tuttle and C. A. Brown. Appleton-Century-Crofts, Inc., New York, 1956. 635 pages. $4.50. In addition to covering the basic principles of report writing, this comprehensive handbook contains a series of sample reports which are fully analyzed with the aim of enabling the reader to develop flexibility in applying the principles and techniques described in the main body of the text. A useful manual not only for students but for all who are called upon to prepare reports in business, industry, and professional life.

INSURANCE MANAGEMENT

ECONOMIC NEEDS OF OLDER PEOPLE. By John J. Corson and John W. McConnell. The Twentieth Century Fund, 330 West 42 Street, New York 36, N.Y. 1956. 533 pages. $4.50. A full and factual analysis of the place of older persons in our social and economic system—their total number, where they live, how many of them are still at work, their incomes, state of health, family patterns, and other pertinent data. For those who are in any way concerned with the status of problems of the over 65's, this survey represents an invaluable source of authoritative and useful information.

INSURANCE CASEBOOK: *1956 Edition*. By Anthony W. Fitzgerald. The Underwriter Printing & Publishing Co., 116 John Street, New York 38, N. Y. 1956. 498 pages. $10.00. This digest of the outstanding insurance cases of 1955 includes a reprint of the author's well-known "Capsule Law Course," and papers on the res ipsa loquitur doctrine and a concept of dangerous instrumentality in products liability cases.

GUIDE TO AMERICAN DIRECTORIES FOR COMPILING MAILING LISTS, 1956. B. Klein & Company, 27 E. 22 Street, New York, 10, N.Y. 1956. 170 pages. $10.00. A complete revision of the original *Guide* published two years ago. Lists over 1,200 directories, with detailed information on the number and types of names in each, publishers' names and addresses, and prices.

BASIC READING LIST FOR FIRE, CASUALTY, MARINE INSURANCE, AND BONDING. Insurance Society of New York, 107 William Street, New York 38, N. Y. 1955. 12 pages. Gratis. An annotated bibliography of insurance books covering—in addition to the categories listed in the title—accident and health, automobile, law, public liability, social insurance, workmen's compensation, and general texts. Includes book prices and publishers' addresses.

INSURANCE WORDS AND THEIR MEANINGS. By Vincent L. Gallagher. The Rough Notes Co. Inc., Indianapolis, Ind. 1954. 90 pages. $1.50. A glossary of fire and casualty insurance terms.

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